

REDLINES FOR GOVERNING DOCUMENTS

TERMS 1, 3, 4, 6, 7, 8, 10

[Note to Members: TERM 2 (M34), TERM 9 (M34) TERM 5 (Board Governance) and portions of TERMS 1, 3, 7 (M34)]

TERM 1, JUMP BALL PROVISION-OA SCHED. 1 AND 2

(Re: Schedules 1 and 2: PJM 205 filing rights, PJM 205 filing independence/no undue preference, PJM 205 filing notice provision, jump ball filing)

OA

10.5 Duties and Responsibilities With Respect to Schedule Nos. 1 and 2

The Office of the Interconnection, under the direction of the President as supervised and overseen by the PJM Board, shall carry out the following duties and responsibilities, in accordance with the provisions of this Agreement:

i) File with FERC, unilaterally, pursuant to Section 205 of the Federal Power Act and the FERC's rules and regulations, any amendments to Operating Agreement, Schedule No. 1, and Schedule No. 2, and make any other necessary conforming changes to implement the amendments to Schedule No. 1 and/or Schedule No. 2. The Office of the Interconnection shall exercise its 205 filing rights independently, and shall not, in filing pursuant to Federal Power Act section 205, grant an undue preference, or make a filing on behalf of any individual, member, company, state, or subdivision thereof. Filings by the Office of the Interconnection, as described in Operating Agreement, sections 10.4(xiii) and 10.5(ii)(B), shall not be considered a grant of an undue preference or a filing on behalf of any individual, member, company, state, or subdivision thereof.

ii) When exercising Federal Power Act section 205 rights set forth in Operating Agreement, section 10.5(i), the Office of the Interconnection shall:

(A) no less than thirty (30) days in advance of the Office of the Interconnection making a section 205 filing in accordance with this section, provide the Members Committee with notice of intent to file unilaterally, pursuant to section 205 of the Federal Power Act, any amendments to Operating Agreement, Schedule No. 1 and/or Schedule No. 2 and make any other necessary conforming changes to implement the amendments to Schedule No. 1 and/or Schedule No. 2, except that the Office of the Interconnection may file with less than a full thirty (30) day advance notice in circumstances where imminent harm to system reliability or imminent severe economic harm to electric consumers requires a prompt section 205 filing under this provision, provided that the Office of the Interconnection shall provide at least 24 hours advance notice before such a filing. Nothing in this provision shall grant the Members Committee any right to veto or delay any such Section 205 filing; and

(B) To the extent the Office of the Interconnection is filing with FERC any amendments to Schedule No. 1 or Schedule No. 2 under this provision, and also filing with FERC amendments to Schedule No. 1 or Schedule No. 2 on behalf of the Members Committee pursuant to Operating Agreement, section 10.4(xiii) pertaining to similar issues, filed with FERC within ten business days of one another, the Office of the Interconnection shall, as part of any required Federal Power Act section 205 filing: (1) describe any alternate Members Committee proposal(s) that has received the votes necessary

pursuant to Operating Agreement, section 8.4, in sufficient detail to permit reasonable review by the Commission, (2) explain the Office of the Interconnection's reasons for not adopting the proposal(s), and (3) provide an explanation as to why the Office of the Interconnection believes its own proposal is superior to the proposal(s) approved by the Members Committee. The Commission will not be required to consider whether the then-existing filed rate is unlawful and may adopt either the Office of the Interconnection's proposal or the alternate proposal(s) as it finds, in its discretion, to be just and reasonable and preferable.

[NOTE TO MEMBERS: The 10-business day provision could cut into FERC's 60-day statutory review of the filings and may give FERC pause and/or lead to potential rejection of the filing. Consider approving shorter period (e.g. 2-3 business days)]

TERM 1: JUMP BALL PROVISION-OA SCHED. 1 AND 2

(conforming change to account for jump ball)

OA**8.8 Powers of the Members Committee.**

The Members Committee, acting by adoption of a motion as specified in Operating Agreement, section 8.4, shall have the power to take the actions specified in this Agreement, including:

- i) Elect the members of the PJM Board;
- ii) Except as otherwise set forth herein, in accordance with the provisions of Operating Agreement, section 18.6, amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;
- iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;
- iv) Terminate this Agreement; and
- v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.

TERM 1 adding the TEAC as standing Committee and Term 3 Eliminating MRC as Senior Standing Committee: OA 8.6 (Moved to Section 8.8)

8.6 Senior, Standing, and Other Committees.

~~The Members Committee shall establish and maintain the Markets and Reliability Committee as a Senior Standing Committee. The Members Committee also shall establish and maintain the Market Implementation Committee, Planning Committee, Operating Committee, and Risk Management Committee and the Transmission Expansion Advisory Committee (all under the Markets and Reliability Committee) as Standing Committees. The Members Committee may establish or dissolve other Standing Committees from time to time. The President shall appoint the Chair and Vice Chair of each Senior Standing Committee and Standing Committee and, after consultation with the Chair of a Standing Committee, the President shall appoint the Chair and Vice Chair of any other committees.~~

8.6.1 Markets and Reliability Committee.

~~The Markets and Reliability Committee shall be established by and report to the Members Committee.~~

~~The Markets and Reliability Committee shall provide advice and recommendations concerning the reliable and secure operation of the PJM Interchange Energy Market and Ancillary Services markets, mechanisms to provide an efficient marketplace for products needed for resource adequacy and operating security, and otherwise as directed by the Members Committee. The Markets and Reliability Committee also addresses matters related to the reliable and secure operation of the PJM system and planning strategies to assure the continued ability of the Members to operate reliably and economically, consistent with reliability principles and standards.~~

~~Voting on the Markets and Reliability Committee shall be by sectors in accordance with Operating Agreement, section 8.1 and Operating Agreement, section 8.4. Neither the Markets and Reliability Committee nor the Members Committee shall have authority to control or direct the actions of the PJM Board or the Office of the Interconnection with regard to the short-term reliability of grid operations within the PJM Region. The responsibilities of the Markets and Reliability Committee shall, more specifically, include, but not be limited to, the following:~~

~~(a) The Markets and Reliability Committee shall develop and approve a Markets and Reliability Committee Annual Plan including prioritization of planned activities and initiation of activities supporting the approved plan.~~

~~(b) The Markets and Reliability Committee shall provide advice and recommendations concerning issues pertaining to the operation and administration of the PJM markets, including but not limited to amendments to PJM's~~

Operating Agreement, the PJM Tariff, or market rules and procedures as necessary or appropriate to foster competition and assure the fair, reliable and efficient operation and administration of the PJM markets, as well as the reliable operation of the grid.

(c) The Markets and Reliability Committee shall provide advice and recommendations as are necessary or appropriate to assure a high level of economy of service in the operation of the PJM Interchange Energy Market and other markets, in accordance with established market operation principles, practices and procedures, recognizing individual participant requirements for services, contractual obligations and other pertinent factors.

(d) The Markets and Reliability Committee shall provide advice and recommendations concerning studies and analyses relating to the overall efficacy of the PJM Interchange Energy Market and in carrying out actions as may be initiated as a result thereof.

(e) The Markets and Reliability Committee shall provide advice and recommendations concerning revisions to the Operating Agreement, the Reliability Assurance Agreement, and the PJM Tariff that pertain to its areas of responsibility.

(f) The Markets and Reliability Committee shall make annual and timely recommendations concerning the generating capacity reserve requirement and related demand-side valuation factors for consideration by the Members Committee, in order to assist the Members Committee in making recommendations to the PJM Board of Managers.

(g) The Markets and Reliability Committee shall provide direction to the Market Implementation Committee, which committee shall report to the Markets and Reliability Committee. The Market Implementation Committee shall provide advice and recommendations to the Markets and Reliability Committee directed to the advancement and promotion of competitive wholesale electricity markets in the PJM Region, and perform such other functions as the Markets and Reliability Committee may direct from time to time.

(h) The Markets and Reliability Committee shall provide direction to the Operating Committee and Planning Committee, which committees shall report to the Markets and Reliability Committee. The Operating Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to the reliable and secure operation of the PJM Region and the PJM Interchange Energy Market, as appropriate, and other matters as the Markets and Reliability Committee may request. The Planning Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to system reliability, security, economy of service, and planning strategies and policies and other matters as the Markets and Reliability Committee may request. The Markets and Reliability Committee shall review technical recommendations and changes initiated by the Operating Committee and Planning Committees and provide comments as needed.

~~(i) — The Markets and Reliability Committee shall perform such other functions, directly or through delegation to a Standing Committee, subcommittee, working group or task force reporting to the Markets and Reliability Committee, as the Members Committee may direct.~~

~~(j) — The Markets and Reliability Committee shall create subcommittees, working groups or task forces when needed to assist in carrying out the duties and responsibilities of the Markets and Reliability Committee.~~

8.6.2 [Reserved.]

8.6.3 Other Committees and Bodies.

The Standing Committees may form, select the membership, and oversee the activities, of such other committees, subcommittees, task forces, working groups or other bodies as it shall deem appropriate, to provide advice and recommendations to the Standing Committees or Office of the Interconnection. Each such group shall terminate automatically upon completion of its assigned tasks and, if not terminated, shall terminate two years after formation unless reauthorized by the Standing Committee that directed its formation.

TERM 1 COMMITTEES SECTION 1.3

(2/3 Sector-weighted vote provision on 205 filing)

TARIFF**9.2 Rights of the Transmission Provider: ...**

(g) The Office of the Interconnection shall not file, pursuant to Section 205 of the Federal Power Act and the FERC's rules and regulations thereunder, to make changes in or relating to the terms and conditions of PJM Tariff, Schedule 19, section 1.3 unless the proposed changes in or relating to the terms and conditions of PJM Tariff, Schedule 19, section 1.3 receive the majority vote of the Members Committee, in accordance with Operating Agreement, section 8.4.

TERM 1: MOVE RTEP, OA SCHED 6, 6-A, 6-B, 6-C

(Moved Schedule 19s and related definitions from OA to Tariff Sched. 19, 1.3(b) to add MC to TEAC establishment)

[NOTE TO MEMBERS: corresponding deletions in OA, replace OA definitions with “shall have the same meaning provided in the PJM Tariff.” – see ER24-2338 and ER24-119 (coordinate with TOs corresponding changes to CTOA similar to ER24-2336)]

TARIFF TOC

SCHEDULE 19

Regional Transmission Expansion Planning Protocol

SCHEDULE 19-A

Interregional Transmission Coordination Between the SERTP and PJM Regions

SCHEDULE 19-B

Interregional Transmission Coordination Between PJM, New York Independent System Operator, Inc. and ISO New England Inc.

SCHEDULE 19-C -

Long-Term Regional Transmission Planning Protocol

TARIFF DEFINITIONS (moved from OA, definition in OA replaced with statement that term shall have same meaning provided in the PJM Tariff)

Definitions – C - D

“Designated Entity” shall mean an entity, including an existing Transmission Owner or Nonincumbent Developer, designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain, and finance Immediate-need Reliability Projects, Short-term Projects, Long-lead Projects, or Economic-based Enhancements or Expansions pursuant to Tariff, Schedule 19, section 1.5.8~~have the same meaning provided in the Operating Agreement.~~

Definitions – E - F

“Economic-based Enhancement or Expansion” shall mean an enhancement or expansion described in Tariff, Schedule 19, section 1.5.7(b) (i) – (iii) that is designed to relieve transmission constraints that have an economic impact~~have the same meaning provided in the Operating Agreement.~~

“Form 715 Planning Criteria” shall mean individual Transmission Owner FERC-filed planning criteria as described in Tariff, Schedule 19, section 1.2(e) and filed with FERC Form No. 715 and posted on the PJM website~~have the same meaning provided in the Operating Agreement.~~

Definitions – I – J – K

“Immediate-need Reliability Project” shall mean a reliability-based transmission enhancement or expansion that the Office of the Interconnection has identified to resolve a need that must be addressed within three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in Tariff, Schedule 19, section 1.5.3~~have the same meaning provided in the Operating Agreement.~~

“Incremental Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Tariff, Schedule 19, section 1.5.10(h)~~have the same meaning provided in the Operating Agreement.~~

Definitions – L – M – N

“Local Plan” shall include Supplemental Projects as identified by the Transmission Owners within their Zone and Subregional RTEP projects developed to comply with all applicable reliability criteria, including Transmission Owners’ planning criteria or based on market efficiency analysis and in consideration of Public Policy Requirements.

“Long-lead Project” shall mean a transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to Tariff, Schedule 19, section 1.5.8(c), the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion~~have the same meaning provided in the Operating Agreement.~~

“Multi-Driver Project” shall mean a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or State Agreement Approach initiatives~~have the same meaning provided in the Operating Agreement.~~

“NERC Reliability Standards” shall mean those standards that have been developed by NERC and approved by FERC to ensure the reliability of the electric bulk power system.

“Nonincumbent Developer” shall mean: (1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Tariff, Attachment J; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Tariff, Attachment J.~~have the same meaning provided in the Operating Agreement.~~

Definitions – O – P - Q

“PJM Region” shall mean the aggregate of the Zones within PJM as set forth in Tariff, Attachment J.~~shall have the meaning specified in the Operating Agreement.~~

“Proportional Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Tariff, Schedule 19, section 1.5.10(h).~~have the same meaning provided in the Operating Agreement.~~

“Public Policy Objectives” shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.~~have the same meaning provided in the Operating Agreement.~~

“Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.~~have the same meaning provided in the Operating Agreement.~~

Definitions – R - S

“Regional RTEP Project” shall mean a transmission expansion or enhancement rated at 230 kV or above which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

“Regional Transmission Expansion Plan” shall mean the plan prepared by the Office of the Interconnection pursuant to Operating Agreement, Schedule 6-Tariff, Schedule 19 for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

“Regional Transmission Enhancements” shall mean enhancements and expansions of the Transmission System that (1) a Regional Transmission Expansion Plan developed pursuant to Operating Agreement, Schedule 6-Tariff, Schedule 19 or (2) any joint planning or coordination agreement between PJM and another region or transmission planning authority set forth in Tariff, Schedule 12-Appendix B (“Appendix B Agreement”) designates one or more of the Transmission Owner(s) to construct and own or finance. Required Transmission Enhancements shall also include enhancements and expansions of facilities in another region or planning authority that meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities constructed pursuant to an Appendix B Agreement cost responsibility for which has been assigned at least in part to PJM pursuant to such Appendix B Agreement.

“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to Operating Agreement, Schedule 1, section 7.5 and the parallel provisions of Tariff, Attachment K-Appendix, section 7.5 in compliance with Operating Agreement, Schedule 1, section 7.4.2 (h) and the parallel provisions of Tariff, Attachment K-Appendix, section 7.4.2(h), and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to Operating Agreement, Schedule 1, section 7.4.2 and the parallel provisions of Tariff, Attachment K-Appendix, section 7.4.2; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Tariff, Part VI; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Operating Agreement, Schedule 6-Tariff, Schedule 19 for transmission upgrades that create such rights.

“Short-term Project” shall mean a transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to Tariff, Schedule 19, section 1.5.8(c), the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion ~~shall have the same meaning provided in the Operating Agreement.~~

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

“Supplemental Project” shall mean a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to Tariff, Schedule 19, section 1.5.9(a)(ii). Any system upgrades required to maintain the reliability of the system that are driven by a Supplemental Project are considered part of that Supplemental Project and are the responsibility of the entity sponsoring that Supplemental Project.

Definitions – T – U – V

“Transmission Facilities” shall ~~have the meaning set forth in the Operating Agreement~~ mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system and integrated into the planning and operation of the PJM Region to serve all of the power and transmission customers within the PJM Region.

“Transmission Interconnection Customer” shall mean an entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to ~~Operating Agreement, Schedule 6~~ Tariff, Schedule 19).

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Consolidated Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

The “Transmission Provider” shall be the Office of the Interconnection for all purposes, provided that the Transmission Owners will have the responsibility for the following specified activities:

(a) The Office of the Interconnection shall direct the operation and coordinate the maintenance of the Transmission System, except that the Transmission Owners will continue to direct the operation and maintenance of those transmission facilities that are not listed in the transmission facilities list maintained by PJM ~~Designated Facilities List contained in the PJM Manual on Transmission Operations;~~

(b) Each Transmission Owner shall physically operate and maintain all of the facilities that it owns; and

(c) When studies conducted by the Office of the Interconnection indicate that enhancements or modifications to the Transmission System are necessary, the Transmission Owners shall have the responsibility, in accordance with the applicable terms of the Tariff, Operating Agreement and/or the Consolidated Transmission Owners Agreement to construct, own, and finance the needed facilities or enhancements or modifications to facilities.

TARIFF (corresponding deletions in OA)

SCHEDULE ~~196~~- REGIONAL TRANSMISSION EXPANSION PLANNING PROTOCOL

References to section numbers in this Schedule ~~196~~ refer to sections of this Schedule ~~196~~, unless otherwise specified.

1. REGIONAL TRANSMISSION EXPANSION PLANNING PROTOCOL

1.1 Purpose and Objectives.

This Regional Transmission Expansion Planning Protocol shall govern the process by which the Members shall rely upon the Office of the Interconnection to prepare a plan for the enhancement and expansion of the Transmission Facilities in order to meet the demands for firm transmission service, and to support competition, in the PJM Region. The Regional Transmission Expansion Plan (also referred to as “RTEP”) to be developed shall enable the transmission needs in the PJM Region to be met on a reliable, economic and environmentally acceptable basis.

1.2 Conformity with NERC *Reliability Standards* and Other Applicable Reliability Criteria.

(a) NERC establishes Reliability Standards to promote the reliability, adequacy and security of the North American bulk power supply as related to the operation and planning of electric systems.

(b) ReliabilityFirst Corporation is responsible for ensuring the reliability, adequacy and security of the bulk electric supply systems in the geographic region described in the applicable agreements between NERC and ReliabilityFirst Corporation, as approved by the FERC, through coordinated operations and planning of generation and transmission facilities. Toward that end, it has adopted the NERC Reliability Standards and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System of the ReliabilityFirst Corporation.

(c) [Reserved]

(c.01) [Reserved]

(c.02) SERC is responsible for ensuring the reliability, adequacy and security of the bulk electric supply systems in the VACAR subregion of SERC. Toward that end, it has adopted the NERC Reliability Standards and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System for SERC.

(d) The Regional Transmission Expansion Plan shall conform at a minimum to the applicable reliability principles, guidelines and standards of NERC, ReliabilityFirst Corporation and SERC, and other Applicable Regional Entities in accordance with the planning and operating criteria and other procedures detailed in the PJM Manuals.

(e) The Regional Transmission Expansion Plan planning criteria shall include, Office of the Interconnection planning procedures, NERC Reliability Standards, Regional Entity reliability principles and standards, and the individual Transmission Owner FERC filed planning criteria as filed in FERC Form No. 715, and posted on the PJM website. FERC Form No. 715 material will be posted to the PJM website, subject to applicable Critical Energy Infrastructure Information (CEII) requirements.

(f) The Office of the Interconnection will also provide access through the PJM website, to the planning criteria and assumptions used by the Transmission Owners for the development of the current Local Plan.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection and the Members Committee will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The

Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Tariff, Attachment M-3.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of

the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(h) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.4 Contents of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall consolidate the transmission needs of the region into a single plan which is assessed on the bases of (i) maintaining the reliability of the PJM Region in an economic and environmentally acceptable manner, (ii) supporting competition in the PJM Region, (iii) striving to maintain and enhance the market efficiency and operational performance of wholesale electric service markets and (iv) considering federal and state Public Policy Requirements.

(b) The Regional Transmission Expansion Plan shall reflect, consistent with the requirements of this Schedule 196, transmission enhancements and expansions; load forecasts; and capacity forecasts, including expected generation additions and retirements, demand response, and reductions in demand from energy efficiency and price responsive demand for at least the ensuing ten years.

(c) The Regional Transmission Expansion Plan shall, at a minimum, include a designation of the Transmission Owner(s) or other entity(ies) that will construct, own, maintain, operate, and/or finance each transmission enhancement and expansion and how all reasonably incurred costs are to be recovered.

(d) The Regional Transmission Expansion Plan shall (i) avoid unnecessary duplication of facilities; (ii) avoid the imposition of unreasonable costs on any Transmission Owner or any user of Transmission Facilities; (iii) take into account the legal and contractual rights and obligations of the Transmission Owners; (iv) provide, if appropriate, alternative means for meeting transmission needs in the PJM Region; (v) provide for coordination with existing transmission systems and with appropriate interregional and local expansion plans; and (vi) strive for consistency in planning data and assumptions that may relieve transmission congestion across multiple regions.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if: (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to the Operating Agreement, Schedule 1, section 7.4.2(b), constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to the Operating Agreement, Schedule 1, section 7.8. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTP Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in

the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions. Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to maintain system reliability.
- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance, and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to the Operating Agreement, Schedule 1, section 7.8.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.

(g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.

(h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to the Operating Agreement, Schedule 1, section 7.4.2(b). Enhancements and expansions related to stage 1A Auction Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to the ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.6(m) and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current local planning information, including all criteria, assumptions and models used by the Transmission Owners, such as those used to develop Supplemental Projects. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee, and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including

information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's local planning information, including all criteria, assumptions and models used by the Transmission Owners in their internal planning processes, including the development of Supplemental Projects ("Local Plan Information"). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in the Operating Agreement, section 18.17; (2) the Office of the Interconnection's CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in the Operating Agreement, section 18.17 and subject to: (i) agreement by the disclosing Transmission Owner consistent with the process set forth in this ~~Operating Agreement~~ Tariff; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the Transmission Expansion Advisory Committee, and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements:

- Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C., which is found at <http://www.pjm.com/~media/documents/agreements/joa-complete.ashx>;

- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule ~~619~~-B and found at <http://www.pjm.com/~media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx>;

- Joint Operating Agreement Among and Between New York Independent System Operator Inc., which is found at <http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx>;
 - Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at [Operating Agreement Tariff](#), Schedule [619-A](#) ;
 - Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Tariff, Schedule 12-B;
 - Joint Reliability Coordination Agreement Between PJM Interconnection, L.L.C., Tennessee Valley Authority, and Louisville Gas and Electric Company and Kentucky Utilities.
- (i) Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.
- (ii) An entity, including existing Transmission Owners and Nonincumbent Developers, may submit potential Interregional Transmission Projects pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8.
- (c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.
- (d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

- (a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with

opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

(b) The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection's transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection's transmission planning analyses; (iv) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (v) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses of transmission needs, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees and, through the Independent State Agencies, the statement of Public Policy Requirements provided individually by the states and any state member's assessment or prioritization of Public Policy Objectives proposed by other stakeholders. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of transmission needs. Following identification of transmission needs and prior to evaluating potential enhancements and expansions to the Transmission System the Office of the Interconnection shall publicly post all transmission need information identified as described further in the ~~Operating Agreement Tariff~~, Schedule ~~619~~, section 1.5.8(b) herein to support the role of the Subregional RTEP Committees in the development of the Local Plan and support the role of Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection shall also post an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) The Subregional RTEP Committees shall also schedule and facilitate meetings related to Supplemental Projects, as described in the Tariff, Attachment M-3.

(d) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in the ~~Operating Agreement Tariff~~, Schedule ~~619~~, sections 1.3(b) and 1.3(c)) to review, evaluate and offer comments and alternatives to the following arising from the studies performed by the Office of the Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the Transmission

System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(e) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in section (b), above.

(f) Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements as detailed in the [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(b) to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in the [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(c). Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to the [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(c); (ii) consider proposals submitted during the proposal windows consistent with the [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(d) and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to the [Operating Agreement Tariff](#), Schedule 619, section 1.5.3, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the

Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection before submitting the recommended plan to the PJM Board for approval.

(g) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(h) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(i) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in the Operating Agreement Tariff, Schedule 619, sections 1.5.7 and 1.5.8.

(j) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to the Operating Agreement Tariff, Schedule 619, section 1.5.9.

(k) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to the Operating Agreement Tariff, Schedule 619, 1.5.6, or Tariff Parts VII or VIII, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of the Tariff, Parts IV and VI, or Tariff, Parts VII or VIII, as applicable; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by the Tariff, Parts IV and VI, , or Tariff, Parts VII or VIII, as applicable with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(l) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARRs, to facilitate Incremental ARRs pursuant to the provisions of the Operating Agreement, Schedule 1, section 7.8, or to facilitate upgrades pursuant to the Tariff, Parts II, III, or VI, or

Tariff, Parts VII or VIII, as applicable and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(m) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to the Tariff, Schedule 12, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B) subject to FERC review and approval, shall be incorporated in any amendment to the Tariff, Schedule 12 that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under the ~~Operating Agreement~~ Tariff, Schedule ~~6~~ 19, sections 1.5.6(i) and 1.5.7, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to the Operating Agreement, Schedule 1, section 7 shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under the Tariff, Schedule 12, section (b) for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in the Tariff, Attachment DD, section 15 shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service

or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(n) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

1.5.7 Development of Economic-based Enhancements or Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact ("economic constraints"). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners' most recent after-tax embedded cost of capital weighted by each Transmission Owner's total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner's most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this ~~Operating Agreement Tariff~~, Schedule ~~6~~19, section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of: (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in the Operating Agreement, Schedule 1, section 7.4.2(c); or (3) significant simulated congestion as forecasted in the market efficiency analysis.

The timeline for the market efficiency analysis and comparison of the costs and benefits for items in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional Economic-based Enhancements or Expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c), any market participant may submit to the Office of the Interconnection a proposal to construct an additional Economic-based Enhancement or Expansion to relieve an economic constraint. Upon completion of its evaluation, including consideration of any eligible market participant proposed Economic-based Enhancements or Expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new Economic-based Enhancements or Expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new Economic-based Enhancements or Expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional Economic-based Enhancements or Expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional Economic-based Enhancements or Expansions pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.6(m). In the event the entity or entities designated as responsible for construction, owning or financing a designated new Economic-based Enhancement or Expansion declines to construct, own or finance the new Economic-based Enhancement or Expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with the [Operating Agreement Tariff](#), Schedule [619](#), sections 1.6 and 1.7. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional Economic-based Enhancements or Expansions and whether such Economic-based Enhancements or Expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional Economic-based Enhancements or Expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this ~~Operating Agreement~~Tariff, Schedule ~~619~~, section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the Economic-based Enhancement or Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for the 15 year *period starting with the RTEP Year (defined as current year plus five) minus benefits for years when the project is not yet in-service*] ÷ [Present value of the Total Enhancement Cost for the *same 15 year period*]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(i) the Energy Market Benefit is as follows:

Energy Market Benefit = [.50] * [Change in Total Energy Production Cost] + [.50] * [Change in Load Energy Payment]

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(v) the Energy Market Benefit is as follows:

Energy Market Benefit = [1] * [Change in Load Energy Payment]

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the Economic-based Enhancement or Expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the Economic-based Enhancement or Expansion]. The change in costs for purchases from outside of the PJM Region and sales to outside the PJM Region will be captured, if appropriate. Purchases will be valued at the Load Weighted LMP and sales will be valued at the Generation Weighted LMP.

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the Economic-based Enhancement or Expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the Economic-based Enhancement or Expansion)] – [the change in value of transmission rights for each Zone with the Economic-based Enhancement or Expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion)]. The Change in the Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in the Load Energy Payment.

And

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(i) the Reliability Pricing Benefit is as follows:

Reliability Pricing Benefit = [.50] * [Change in Total System Capacity Cost] + [.50] * [Change in Load Capacity Payment]

and

For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(v) the Reliability Pricing Benefit is as follows:

Reliability Pricing Benefit = [1] * [Change in Load Capacity Payment]

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under the Tariff, Attachment DD) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under the Tariff, Attachment DD) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under the Tariff, Attachment DD without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under the Tariff, Attachment DD with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion. The Change in the Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in the Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the Economic-based Enhancement or Expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new Economic-based Enhancement or Expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs); (ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured

using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new Economic-based Enhancements or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the Economic-based Enhancement or Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of the ~~Operating Agreement~~ Tariff, Schedule ~~619~~, section 1.5.7(i). The Office of the Interconnection will not be required to review annually the costs and benefits of constructing Economic-based Enhancements or Expansions with capital costs less than \$20 million if, based on updated cost estimates and the original benefits, the Benefit/Cost Ratio remains at or above 1.25. The Office of the Interconnection shall no longer be required to review costs and benefits of constructing Economic-based Enhancements and Expansions once: (i) a certificate of public convenience and necessity or its equivalent is granted by the state or relevant regulatory authority in which such enhancements or expansions will be located; or (ii) if a certificate of public convenience and necessity or its equivalent is not required by the state or relevant regulatory authority in which an economic-based enhancement or expansion will be located, once construction activities commence at the project site.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new Economic-based Enhancements or Expansions is consistent with the new Economic-based Enhancements or Expansions as recommended in the market efficiency analysis.

(h) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to the Tariff, Parts IV and VI that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a "market solution" and, in the event of such designation, the Tariff, Part VI, Subpart B, section 216, as applicable, shall apply to the project.

(i) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.
- (ii) Availability of Generation Capacity Resources, as defined by the RAA, section 1.33, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.
- (iii) Availability of Demand Resources that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.
- (iv) Addition of Customer Facilities or Generating Facilities, as applicable, pursuant to an executed Interconnection Service Agreement or executed Interim Interconnection Service Agreement for which Interconnection Service Agreement is expected to be executed, or Generating Facilities pursuant to an executed Generation Interconnection Agreement or executed Engineering and Procurement Agreement for which Generation Interconnection Agreement is expected to be executed. Facilities with an executed Facilities Study Agreement or suspended Interconnection Service Agreement, or that have an approved Decision Point II submission, under Tariff Part VII or VIII, as applicable, may be included by the Office of the Interconnection after review with the Transmission Expansion Advisory Committee.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues or Cycles as applicable and Capacity Resource Clearing Prices under the Tariff, Attachment DD. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model Customer Facilities or Generating Facilities pursuant to an executed Facilities Study Agreement approved Decision Point II submission under Tariff Part VII or VIII, or suspended Interconnection Service Agreement, ranked by their commercial probability. Commercial probability utilizes historical data from the PJM interconnection queues or Cycles as applicable to determine the likelihood of a Customer Facility or Generating Facility, pursuant to an executed Facilities Study Agreement approved Decision Point II submission under Tariff Part VII or VIII, or suspended Interconnection Service Agreement, reaching

commercial operation. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses, following inclusion of the Customer Facilities or Generating Facilities discussed above in this section 1.5.7(i)(vii), then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues or Cycles as applicable and, if necessary, add transmission enhancements to address congestion that arises from such modeling.

(viii) Items (i) through (v) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (v) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an Economic-based Enhancement or Expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the Economic-based Enhancement or Expansion may be diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(j) For informational purposes only, with regard to Economic-based Enhancements or Expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.3 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a)(3). Pre-qualification applications shall contain the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its

affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution [procedures set forth in the PJM Tariff or the Consolidated Transmission Owners Agreement, as applicable, pursuant to the Operating Agreement, Schedule 5](#).

(a)(3) In order to continue to pre-qualify as eligible to be a Designated Entity, such entity must confirm its information with the Office of the Interconnection no later than three years following its last submission or sooner if necessary as required below. In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a)(2) shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.

(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall

use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to the ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8(a). This ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Following identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this ~~Operating Agreement Tariff~~, Schedule 619 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need information, including violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in the ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.9, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in the ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8(m) for Immediate-need Reliability Projects; ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; and ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the

Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All proposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a detailed explanation regarding how the following alternative transmission technologies were analyzed in developing the proposal, and why each of these technologies were included in, or excluded from, the proposal: (a) dynamic line ratings, (b) advanced power flow control devices, (c) advanced conductors, and (d) transmission switching technologies; (vi) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; (vii) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (viii) with the exception of project proposals submitted with cost estimates of \$5 million or less, a \$5,000 non-refundable deposit must be included with each project proposal submitted by a proposing entity that indicates an intention to be the Designated Entity.

(c)(1)(i) In addition, any proposing entity indicating its intention to be the Designated Entity will be responsible for and must pay all actual costs incurred by the Transmission Provider to evaluate the submitted project proposal. To the extent the Transmission Provider incurs costs to evaluate multiple submitted project proposals where such costs are not severable by individual project proposal, the Transmission Provider shall invoice equal shares of the non-severable costs among the project proposals that cause such non-severable costs to be incurred. Notwithstanding this method of invoicing non-severable costs, non-severable costs will be jointly and severally owed by the proposing entities that cause such costs to be incurred.

(c)(1)(ii) All non-refundable deposits will be credited towards the actual costs incurred by the Transmission Provider as a result of the evaluation of a submitted project proposal.

(c)(1)(iii) Following the close of a proposal window but before the Transmission Provider incurs any third-party consultant work costs to evaluate a submitted project proposal, the Transmission Provider will issue to the proposing entity an initial invoice seeking payment of estimated costs to evaluate each submitted project proposal. The estimated costs will be determined by considering the: potential cost of consultant work, historical estimates for project proposals of similar scope, complexity and nature of the need, and/or technology and nature of the project proposal. The Transmission Provider may issue additional invoices to the proposing entity prior to the completion of the evaluation activities associated with a project proposal if the Transmission Provider receives updated actual cost information and/or upon consideration of the factors specified in this section.

(c)(1)(iv) At the completion of the evaluation activities associated with a project proposal, the Transmission Provider will reconcile the actual costs with monies paid and, to the extent necessary, issue either a final invoice or refund.

(c)(1)(v) The proposing party must pay any invoiced costs within fifteen (15) calendar days of the Transmission Provider sending the invoice to the proposing entity or its agent. For good cause shown, this fifteen (15) calendar day time period may be extended by the Transmission Provider. If the proposing entity fails to pay any invoice within the time period specified and/or extended by the Transmission Provider in accordance with this section, the proposing entity's pre-qualification status may be suspended and the proposing entity will be ineligible to be a Designated Entity for any projects that do not yet have an executed Designated Entity Agreement. Such a suspension and/or ineligibility will remain in place until the proposing entity pays in full all outstanding monies owed to the Transmission Provider as a result of the evaluation of the proposing entity's project proposal(s).

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to the ~~Operating Agreement Tariff~~, Schedule 619, section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any binding cost commitment proposal the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project. To the extent that an entity submits a cost containment proposal the entity shall submit sufficient information for the Office of Interconnection to determine the binding nature of the proposal with respect to critical elements of project development. PJM may not alter the requirements for proposal submission to require the submission of a binding cost containment proposal, in whole or in part, or otherwise mandate or unilaterally alter the terms of any such proposal or the requirements for proposal submission, the submission of any such proposals at all times remaining voluntary.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in the ~~Operating Agreement Tariff~~, Schedule 619, sections 1.5.8(e) and 1.5.8(f). If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the

Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c)(3) may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity's submittal includes multiple project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c). All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.9. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in the [Operating Agreement Tariff](#), Schedule [619](#), sections 1.5.8(e) and 1.5.8(f). The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this [Operating Agreement Tariff](#), Schedule [619](#).

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section

1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.3, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.7(d); (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) the ability to timely complete the project, and project development feasibility; and (v) other factors such as cost-effectiveness, including the quality and effectiveness of any voluntary-submitted binding cost commitment proposal related to Transmission Facilities which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. In scrutinizing the cost of project proposals, the Office of Interconnection shall determine for each project finalist's proposal, including any Transmission Owner Upgrades, the comparative risks to be borne by ratepayers as a result of the proposal's binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall detail, in a clear and transparent manner, the method by which the Office of Interconnection scrutinized the cost and overall cost-effectiveness of each finalist's proposal, including any binding cost commitments. Such comparative analysis shall be presented to the TEAC for review and comment. In evaluating any cost, ROE and/or capital structure proposal, PJM is not making a determination that the cost, ROE or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the FERC. Stakeholders seeking to dispute a particular ROE analysis utilized in the selection process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. PJM may modify the technical specifications of a proposal, as outlined in the PJM Manuals, which may result in the modified proposal being determined to be the more efficient or cost-effective proposal for recommendation to the PJM Board. Neither PJM, the Designated Entity nor any stakeholders are waiving any of their respective FPA section 205 or 206 rights through this process. Challenges to the Designated Entity Agreements are subject to the just and reasonable standard.

(f) **Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project, Long-lead Project or Economic-based Enhancement or Expansion recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction,

operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity's previously designated project(s) included in the plan.

(g) **Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to the [Operating Agreement Tariff](#), Schedule 6.19, section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 15 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the

project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving an executable Designated Entity Agreement (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. Notwithstanding the foregoing, a Designated Entity is not required to provide a letter of credit to the extent (i) the Designated Entity is a Transmission Owner and (ii) the project was selected (A) pursuant to Operating Agreement Tariff, Schedule 619, sections 1.5.8(g), 1.5.8(h), or 1.5.8(m)(1); or (B) through a proposal window conducted pursuant to Operating Agreement Tariff, Schedule 619, section 1.5.8(c) in which no Nonincumbent Developer submitted a competing proposal to address the need identified by the Office of the Interconnection. In the alternative, the Designated Entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5 procedures set forth in the Tariff or the Consolidated Transmission Owners Agreement, as applicable, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of the Operating Agreement, Schedule 619, section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional

Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding anything to the contrary in this [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c) is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade, including any upgrade using an alternative transmission technology (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation; or (iv) proposed to be located on a Transmission Owner's existing right of way and the project would alter the Transmission Owner's use and control of its existing right of way under state law. Transmission Owner shall be the Designated Entity when required by state law, regulation or administrative agency order with regard to enhancements or expansions or portions of such enhancements or expansions located within that state.

(m) **Immediate-need Reliability Projects:**

(m)(1) Pursuant to the expansion planning process set forth in [Operating Agreement Tariff](#), Schedule [619](#), sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders. Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(m)(2) is infeasible. Stakeholders shall be afforded no less than ten days to review Immediate-need Reliability Project materials prior to providing comments at stakeholder meetings. However, PJM may review Immediate-need Reliability Project materials with stakeholders without the requisite ten-day notice so long as: (i) stakeholders do not object to reviewing the materials or (ii) PJM identifies in its posting to the meeting materials extenuating circumstances identified by PJM that require review of the materials at the stakeholder meeting. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the

immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(i), shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(m)(1).

(n) **Reliability Violations on Transmission Facilities Below 200 kV.** Pursuant to the expansion planning process set forth in the [Operating Agreement Tariff](#), Schedule [619](#), sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(b) for inclusion in a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations

identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c). If the Office of the Interconnection determines that the identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(m), PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c). All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) **[Reserved]**

(p) **Thermal Reliability Violations on Transmission Substation Equipment.** Pursuant to the regional transmission expansion planning process set forth in the [Operating Agreement Tariff](#), Schedule [619](#), sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(b) for inclusion in a proposal window pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c). If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM

website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation equipment thermal reliability violations that will not be included in a proposal window pursuant to [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(q) **Interconnection-Related Transmission Enhancements or Expansions Requiring Network Upgrades.**

Pursuant to the regional transmission expansion process set forth in the [Operating Agreement Tariff](#), Schedule 619, sections 1.5.1 through 1.5.6, the Office of Interconnection shall evaluate for selection transmission enhancements or expansions to address interconnection-related needs that have been identified as requiring Network Upgrades where (i) the Office of Interconnection has identified the interconnection-related transmission need in System Impact Studies in at least two interconnection Cycles conducted under Tariff, Part VIII; (ii) the identified Network Upgrade has a voltage of at least 200 kV and an estimated cost of at least \$30 million; (iii) the New Service Requests associated with the identified interconnection-related transmission need are withdrawn, and no more than five calendar years have passed between the date of the earlier New Service Request and the later New Service Request; (iv) the identified Network Upgrade is not included in an executed or unexecuted Generator Interconnection Agreement; and (v) the withdrawn New Service Requests associated with the identified interconnection-related transmission need occurred no more than seven years prior to the commencement date of initiation of the current enhancement and expansion study process as set forth in [Operating Agreement Tariff](#), Schedule 619, section 1.5.1. The Office of Interconnection need not evaluate an interconnection-related transmission need that has been evaluated in a previous enhancement and expansion study process. The Office of the Interconnection shall post on the PJM website all interconnection-related transmission needs that meet the criteria of this section to be included in a proposal window consistent with the [Operating Agreement Tariff](#), Schedule 619, section 1.5.8(c).

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM

Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

(b) Subject to any designation reserved for Transmission Owners in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(l), the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.9(a) may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a).

1.5.10 Multi-Driver Project.

(a) When a proposal submitted by an existing Transmission Owner or Nonincumbent Developer pursuant to [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(c) meets the definition of a Multi-Driver Project and is designated to be included in the Regional Transmission Expansion Plan for purposes of cost allocation, the Office of the Interconnection shall designate the Designated Entity for the project as follows: (i) if the Multi-Driver Project does not contain a state Public Policy Requirement component, the Office of the Interconnection shall designate the Designated Entity pursuant to the criteria in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8; or (ii) if the Multi-Driver Project contains a state Public Policy Requirement component, the Office of the Interconnection shall evaluate potential Designated Entity candidates based on the criteria in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8, and provide its evaluation to and elicit feedback from the sponsoring state governmental entities responsible for allocation of all costs of the proposed state Public Policy Requirement component ("state governmental entity(ies)") regarding its evaluation. Based on its evaluation of the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8 criteria and consideration of the feedback from the sponsoring state governmental entity(ies), the Office of the Interconnection shall designate the Designated Entity for the Multi-Driver Project and notify such entity consistent with the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(i). A Multi-Driver Project may be based on proposals that consist of (1) newly proposed transmission enhancements or expansions; (2) additions to, or modifications of, transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan; and/or (3) one or more transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan.

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if it meets the requirements set forth in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.9(a) and its cost allocations are established consistent with the Tariff, Schedule 12, section (b)(xii)(B).

(c) If a state governmental entity(ies) desires to include a Public Policy Requirement component after an enhancement or expansion has been included in the Regional Transmission Expansion Plan, the Office of the Interconnection may re-evaluate the relevant reliability-based enhancement or expansion, Economic-based Enhancement or Expansion, or Multi-Driver Project to determine whether adding the state-sponsored Public Policy Requirement component would create a more cost effective or efficient solution to system conditions. If the Office of the Interconnection determines that adding the state-sponsored Public Policy Requirement component to an enhancement or expansion already included in the Regional Transmission Expansion Plan would result in a more cost effective or efficient solution, the state-sponsored Public Policy Requirement component may be included in the relevant enhancement or expansion, provided all of the requirements of the [Operating Agreement Tariff](#), Schedule 619, section 1.5.10(b) are met, and cost allocations are established consistent with the Tariff, Schedule 12, section (b)(xii)(B).

(d) If, subsequent to the inclusion in the Regional Transmission Expansion Plan of a Multi-Driver Project that contains a state Public Policy Requirement component, a state governmental entity(ies) withdraws its support of the Public Policy Requirement component of a Multi-Driver Project, then: (i) the Office of the Interconnection shall re-evaluate the need for the remaining components of the Multi-Driver Project without the state Public Policy Requirement component, remove the Multi-Driver Project from the Regional Transmission Expansion Plan, or replace the Multi-Driver Project with an enhancement or expansion that addresses remaining reliability or economic system needs; (ii) if the Multi-Driver Project is retained in the Regional Transmission Expansion Plan without the state Public Policy Requirement component, the costs of the remaining components will be allocated in accordance with the Tariff, Schedule 12; (iii) if more than one state is responsible for the costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project, the remaining state governmental entity(ies) shall have the option to continue supporting the state Public Policy component of the Multi-Driver Project and if the remaining state governmental entity(ies) choose this option, the apportionment of the state Public Policy Requirement component will remain in place and the remaining state governmental entity(ies) shall agree upon their respective apportionments; (iv) if a Multi-Driver Project must be retained in the Regional Transmission Expansion Plan and completed with the State Public Policy component, the state Public Policy Requirement apportionment will remain in place and the withdrawing state governmental entity(ies) shall continue to be responsible for its/their share of the FERC-accepted cost allocations as filed pursuant to the Tariff, Schedule 12, section (b)(xii)(B).

(e) The actual costs of a Multi-Driver Project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic-based Enhancement or Expansion and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in the Tariff, Schedule 12.

(f) The benefit metric calculation used for evaluating the market efficiency component of a Multi-Driver Project will be based on the final voltage of the Multi-Driver Project using the Benefit/Cost Ratio calculation set forth in the [Operating Agreement Tariff](#), Schedule 619, section 1.5.7(d) where the Cost component of the calculation is the present value of the estimated cost of the enhancement apportioned to the market efficiency component of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

(g) Except as provided to the contrary in this [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.10 and [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8 applies to Multi-Driver Projects.

(h) The Office of the Interconnection shall determine whether a proposal(s) meets the definition of a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (“Proportional Multi-Driver Method”); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (“Incremental Multi-Driver Method”).

(i) In determining whether a Multi-Driver Project may be designated to more than one entity, PJM shall consider whether: (i) the project consists of separable transmission elements, which are physically discrete transmission components, such as, but not limited to, a transformer, static var compensator or definable linear segment of a transmission line, that can be designated individually to a Designated Entity to construct and own and/or finance; and (ii) each entity satisfies the criteria set forth in the [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(f). Separable transmission elements that qualify as Transmission Owner Upgrades shall be designated to the Transmission Owner in the Zone in which the facility will be located.

1.6 Approval of the Final Regional Transmission Expansion Plan.

(a) Based on the studies and analyses performed by the Office of the Interconnection under [Operating Agreement Tariff](#), Schedule [619](#), the PJM Board shall approve the Regional Transmission Expansion Plan in accordance with the requirements of [Operating Agreement Tariff](#), Schedule [619](#). The PJM Board shall approve the cost allocations for transmission enhancements and expansions consistent with Tariff, Schedule 12. Supplemental Projects shall be integrated into the Regional Transmission Expansion Plan approved by the PJM Board but shall not be included for cost allocation purposes.

(b) The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owner(s) or Designated Entity(ies) to construct such expansion or enhancement, the Office of the Interconnection shall file with FERC a report identifying the expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.6(l) to bear responsibility for the costs of the project.

(c) If a Regional Transmission Expansion Plan is not approved, or if the transmission service requested by any entity is not included in an approved Regional Transmission Expansion Plan, nothing herein shall limit in any way the right of any entity to seek relief pursuant to the provisions of Section 211 of the Federal Power Act.

(d) Following PJM Board approval, the final Regional Transmission Expansion Plan shall be documented, posted publicly and provided to the Applicable Regional Entities.

1.7 Obligation to Build.

(a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners or Designated Entities designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. Except as provided in ~~Operating Agreement Tariff~~, Schedule ~~619~~, section 1.5.8(k), nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.

(b) Nothing herein shall prohibit any Transmission Owner from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.

(c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) or Designated Entity(ies) all charges established under Tariff, Schedule 12 in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners or Designated Entity(ies) to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) or Designated Entity(ies) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.

(d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under sections 1.5.6(d) and 1.5.7 of this Schedule ~~619~~ that such Transmission Owner is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

1.8 Interregional Expansions

- (a) PJM shall collect from Midwest Independent System Operator, Inc., for distribution to the applicable Transmission Owners, in accordance with Schedule 12 of the PJM Tariff, revenues collected by the Midwest Independent System Operator, Inc. under the Open Access Transmission Tariff of the Midwest Independent System Owner, Inc. with respect to transmission enhancements or expansions for which the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility for transmission enhancements or expansions in the PJM Region to market participants in the region of the Midwest Independent System Operator, Inc.
- (b) PJM shall disburse to the Midwest Independent System Operator, Inc., for distribution to applicable transmission owners of the Midwest Independent System Operator, Inc., revenues collected under Schedule 12 of the PJM Tariff which establishes a charge in connection with enhancements or expansions in the region of the Midwest Independent System Operator, Inc. the cost responsibility for which has been assigned to market participants in the PJM Region under the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C.
- (c) Nothing in this Section 1.8 shall affect or limit any Transmission Owners filing rights under Section 205 of the Federal Power Act as set forth in the PJM Tariff and applicable agreements.

1.9 Relationship to the PJM Open Access Transmission Tariff.

Nothing herein shall modify the rights and obligations of an Eligible Customer or a Transmission Customer with respect to required studies and completion of necessary enhancements or expansions. An Eligible Customer or Transmission Customer electing to follow the procedures in the PJM Tariff instead of the procedures provided herein, shall also be responsible for the related costs. The enhancement and expansion study process under this Protocol shall be funded as a part of the operating budget of the Office of the Interconnection.

SCHEDULE 619-A

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Office of the Interconnection, through its regional transmission planning process, coordinates with the public utility transmission providers of Southeastern Regional Transmission Planning ("SERTP," and individually, "SERTP Transmission Provider," and collectively, "SERTP Transmission Providers"), as the transmission providers and planners for the SERTP region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between the SERTP Transmission Providers and the Office of the Interconnection, to

identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Schedule [619-A](#) with additional materials provided on the PJM Regional Planning website.

The Office of the Interconnection and each of the SERTP Transmission Providers shall:

- (1) Coordinate and share the results of the SERTP Transmission Providers' and the Office of the Interconnection's regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;
- (2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;
- (3) Exchange, at least annually, planning data and information; and
- (4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The SERTP Transmission Providers and the Office of the Interconnection developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in Tariff, Schedule 12-B.

For purposes of this Schedule [619-A](#), each of the SERTP Transmission Provider's transmission planning process is the process described in each of the SERTP Transmission Providers' open access transmission tariffs; the Office of the Interconnection's regional transmission planning process is the process described in [Operating Agreement Tariff](#), Schedule [619](#). References to the respective transmission planning processes in each of the SERTP Transmission Providers' open access transmission tariffs are intended to identify the activities described in those tariff provisions. References to the respective regional transmission plans in this Schedule [619-A](#) are intended to identify, for the Office of the Interconnection, the PJM Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the each SERTP Transmission Providers, the SERTP regional transmission plan which includes the applicable ten (10) year transmission expansion plan. Unless noted otherwise, section references in this Schedule [619-A](#) refer to sections within this Schedule [619-A](#).

Nothing in this Schedule 619-A is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Schedule 619-A or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and the Office of the Interconnection will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and the Office of the Interconnection may meet more frequently during the evaluation of project(s) proposed for purposes of interregional cost allocation between the SERTP and the Office of the Interconnection. For purposes of this Schedule 619-A, an “interregional transmission project” means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission plan that are currently under development.

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Office of the Interconnection and the SERTP Transmission Providers shall review each other’s current regional transmission plan(s) and engage in the data exchange and joint evaluation described in sections 2 and 3 below.

1.1.1 The review of each region’s regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region’s transmission planning process timeline.

1.2 Review of Proposed Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection will also coordinate with regard to the evaluation of interregional transmission projects identified by the SERTP Transmission Providers and the Office of the Interconnection as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes (“Interregional CAP”), pursuant to section 3 below and Tariff, Schedule 12-B. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The SERTP Transmission Providers and the Office of the Interconnection will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region’s evaluation of the proposal; (ii) the latest calculation of Regional Benefits (as defined in Tariff, Schedule 12-B); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 **Coordination of Assumptions Used in Joint Evaluation:** The SERTP Transmission Providers and the Office of the Interconnection will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- 1.3.1 Expected timelines/milestones associated with the joint evaluation
- 1.3.2 Study assumptions
- 1.3.3 Regional benefit calculations

1.4 **Posting of Materials on Regional Planning Websites:** The SERTP Transmission Providers and the Office of the Interconnection will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Schedule 619-A on each region's regional planning website.

2. Data Exchange

2.1 At least annually, each of the SERTP Transmission Providers and the Office of the Interconnection shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the SERTP Transmission Providers and the Office of the Interconnection as necessary and if requested. For purposes of the interregional coordination activities outlined in this Schedule 619-A, only data and models used in the development of the SERTP Transmission Provider's and the Office of the Interconnection's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting.

2.2 The RTEP will be posted on the Office of the Interconnection's Regional Planning website pursuant to the Office of the Interconnection's regional transmission planning process. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting so that the SERTP Transmission Providers may retrieve these transmission plans. Each of the SERTP Transmission Providers will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

3.1 **Identification of Interregional Transmission Projects:** The SERTP Transmission Providers and the Office of the Interconnection shall exchange planning models and data and current regional transmission plans as described in section 2 above. Each SERTP Transmission Provider and the Office of the Interconnection will review

one another's then-current regional transmission plan(s) in accordance with the coordination procedures described in section 1 above and their respective regional transmission planning processes. If through this review, a SERTP Transmission Provider and the Office of the Interconnection identify a potential interregional transmission project that could be more efficient or cost effective than projects included in the respective regional plans, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the potential project pursuant to section 3.3 below.

3.2 Identification of Interregional Transmission Projects by Stakeholders: Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the SERTP Transmission Providers' and the Office of the Interconnection's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The SERTP Transmission Providers and Office of the Interconnection will evaluate interregional transmission projects proposed by stakeholders pursuant to section 3.3 below.

3.3 Evaluation of Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Office of the Interconnection will evaluate potential interregional transmission projects consistent with ~~Operating Agreement Tariff~~, Schedule 619 and the PJM Manuals 14A entitled New Services Request Process and 14B entitled PJM Region Transmission Planning Process on the PJM Website at <http://www.pjm.com/documents/manuals.aspx>. To the extent possible and as needed, assumptions and models will be coordinated between the SERTP Transmission Providers and the Office of the Interconnection, as described in section 1 above. Data shall be exchanged to facilitate this evaluation using the procedures described in section 2 above.

3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes: Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in ~~Operating Agreement Tariff~~, Schedule 619 and Tariff, Schedule 12-B. The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Office of the Interconnection will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Office of the Interconnection will notify the SERTP Transmission Provider. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the proposed interregional projects.

3.4.1 If an interregional transmission project is proposed in the SERTP and Office of Interconnection for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to sections 3.1 and 3.2 above. Further evaluation shall also be performed pursuant to this section 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Tariff, Schedule 12-B.

3.4.2. Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).

3.4.3. Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Schedule 619-A, “Regional Benefit” means: (i) for the SERTP Transmission Providers, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for the Office of the Interconnection, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of regional cost allocation.

3.5 Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the SERTP and Office of the Interconnection will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and Office of the Interconnection regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1. To be selected in both the SERTP and Office of the Interconnection regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost (“BTC”) ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP’s Regional Benefit to the sum of the Regional Benefits identified for both the SERTP and the Office of the Interconnection; and

- For the Office of Interconnection: All requisite approvals are obtained, as prescribed in the PJM regional transmission planning process, necessary for a project to be included in the RTEP for purposes of cost allocation.

3.6 Removal from Regional Plans: An interregional transmission project may be removed from the SERTP's or Office of the Interconnection's regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Office of the Interconnection, shall notify the SERTP Transmission Provider if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Office of the Interconnection shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 PJM will provide status updates of SERTP interregional activities to the TEAC including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and the Office of the Interconnection related to interregional facilities identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and the Office of the Interconnection.

4.5 The Office of the Interconnection will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

SCHEDULE ~~619~~-B

Interregional Transmission Coordination Between PJM, New York Independent System Operator, Inc. and ISO New England Inc.

PJM, its Transmission Owners, and any other interested parties shall coordinate system planning activities with neighboring planning regions, (*i.e.*, New York Independent System Operator, Inc. and ISO New England Inc.) (“ISO/RTO Regions”) pursuant to the Northeastern Planning Protocol (“Protocol”) identified in ~~Operating Agreement~~Tariff, Schedule ~~619~~, section 1.5.5(b).

The Interregional Planning Protocol includes a description of the committee structure, processes, and procedures through which system planning activities are openly and transparently coordinated by the ISO/RTO Regions. The objective of the interregional planning process is to contribute to the on-going reliability and the enhanced operational and economic performance of the ISO/RTO Regions through: (i) exchange of relevant data and information; (ii) coordination of procedures to evaluate certain interconnection and transmission service requests; (iii) periodic comprehensive interregional assessments; (iv) identification and evaluation of potential Interregional Transmission Projects that can address regional needs in a manner that may be more efficient or cost-effective than separate regional solutions, in accordance with the requirements of Order No. 1000.

Section 9 of the Protocol indicates that the cost allocation for identified interregional transmission projects between PJM and NYISO shall be conducted in accordance with the Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection, L.L.C. referenced in ~~Operating Agreement~~Tariff, Schedule ~~619~~, section 1.5.5(b).

The planning activities of the ISO/RTO Regions shall be conducted consistent with the planning criteria of each ISO/RTO Region. The ISO/RTO Regions shall periodically produce a Northeastern Coordinated System Plan that integrates the system plans of all of the ISO/RTO Regions.

SCHEDULE ~~619~~-C - LONG-TERM REGIONAL TRANSMISSION PLANNING PROTOCOL

References to section numbers in this Schedule 619-C refer to sections of this Schedule 619-C, unless otherwise specified.

1. LONG-TERM REGIONAL TRANSMISSION PLANNING PROTOCOL

1.1 Purpose and Objectives.

The Long-Term Regional Transmission Plan to be developed pursuant to this Schedule 619-C, and in consideration of the Regional Transmission Expansion Plan developed pursuant to Schedule 619, will holistically address reliability, economic, and public policy needs of the PJM Region over the planning horizon, with full consideration of federal, Tribal, state, and local policies with consideration of benefits to consumers relative to costs without overbuilding. This Long-Term Regional Transmission Planning Protocol shall govern the process by which the Members rely upon the Office of the Interconnection to prepare the Long-Term Regional Transmission Plan for the enhancement or expansion of Transmission Facilities in order to identify and address Long-Term Transmission Needs of the PJM Region. The Office of the Interconnection will develop the Long-Term Regional Transmission Plan, with consideration of the unique requirements (e.g., long-lead development and construction timelines) associated with the planning of Long-Term Transmission Projects, to identify Long-Term Transmission Needs, investigate potential solutions to holistically address Long-Term Transmission Needs, and select Long-Term Transmission Projects to address those needs as described in this Schedule 619-C for which selection would be timely and appropriate. Throughout the Long-Term Regional Transmission Plan process, the Office of the Interconnection will identify Long-Term Transmission Projects for potential inclusion in the All-in-One Plan, then preliminarily select such identified projects for inclusion in the recommended Long-Term Regional Transmission Plan, re-optimized

the All-in-One Plan in light of any voluntary funding agreements and the outcome of the State Opt-out mechanism, before finalizing a recommended Long-Term Regional Transmission Plan generally composed of Long-Term Transmission Projects for which selection would be timely and appropriate and any Long-Term Transmission Projects supported by a voluntary funding agreement pursuant to section 1.14. The Long-Term Regional Transmission Plan shall conform at a minimum to the applicable reliability principles, guidelines and standards of NERC, ReliabilityFirst Corporation, and SERC, and other Applicable Regional Entities in accordance with the planning and operating criteria and other procedures detailed in the PJM Manuals. The Long-Term Regional Transmission Plan shall continue to apply the FERC Order Nos. 890 and 1000 planning principles of: (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability; and (6) dispute resolution. The Long-Term Regional Transmission Plan will be incorporated into the Regional Transmission Expansion Plan developed in accordance with Operating Agreement Tariff, Schedule 619.

1.2 Coordination with the Transmission Expansion Advisory Committee and the PJM Area Relevant States Entities Committee.

- (a) During the development of the Long-Term Regional Transmission Plan, the Office of the Interconnection shall hold periodic meetings with the Transmission Expansion Advisory Committee. The Transmission

Expansion Advisory Committee will provide advice and recommendations to the Office of the Interconnection to aid in the development of the Long-Term Regional Transmission Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding the Long-Term Scenario and sensitivity assumption development and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Long-Term Regional Transmission Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional long-term planning issues, as identified by the Office of the Interconnection. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to develop Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the PJM Area Relevant States Entities Committee, and the Independent State Agencies Committee; and (v) any other interested entities or persons. The Office of the Interconnection shall make available to the Transmission Expansion Advisory Committee reasonably required information and data to develop the Long-Term Regional Transmission Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(b) During the development of the Long-Term Regional Transmission Plan, the Office of the Interconnection shall hold periodic meetings with the PJM Area Relevant State Entities Committee to provide updates, including discussion of: (i) the state policy and other assumptions, as may be identified pursuant to section 1.4, to be used in developing Long-Term Scenarios for the purpose of identifying Long-Term Transmission Needs and evaluating and analyzing potential solutions to such Long-Term Transmission Needs; (ii) legislative and regulatory initiatives, as appropriate, including state regulatory agency-initiated programs, and other public policies, to consider including in the Office of the Interconnection's long-term transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the PJM Area Relevant State Entities Committee, including, but not limited to, the additional scenario described in section 1.5(b); and (v) the Core Plan developed pursuant to section 1.10, and the All-in-One Plan developed pursuant to section 1.11, and any proposals that would address Long-Term Transmission Needs not identified for inclusion in the Core Plan and/or All-in-One Plan that may be available for voluntary funding opportunities pursuant to section 1.14. At such meetings, the Office of the Interconnection also shall discuss the current status of the Long-Term Regional Transmission Plan study process. The PJM Area Relevant State Entities Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee, as appropriate, of the input of the PJM Area Relevant State Entities Committee and shall consider such input in developing the Long-Term Regional Transmission Plan, and shall explain its determinations to the PJM Area Relevant State Entities Committee upon request.

1.3 Contents of the Long-Term Regional Transmission Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Long-Term Regional Transmission Plan and for developing scenarios and sensitivities, and conducting the analyses on which the plan is based as well as the selection of the Long-Term Transmission Projects. The Long-Term Regional Transmission Plan shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee.

(b) The Long-Term Regional Transmission Plan shall consolidate the Long-Term Transmission Projects that holistically address Long-Term Transmission Needs of the PJM Region into a single plan by (i) maintaining the reliability of the PJM Region in an economically efficient manner; (ii) enhancing the efficiency and operational performance of wholesale electric service markets; (iii) advancing federal, Tribal, state, and local public policies; and (iv) facilitating the efficient long-term integration of generation resources. The Long-Term Regional Transmission Plan shall reflect transmission enhancements and expansions included in the Regional Transmission Expansion Plan; load forecasts; and projected changes in the resource mix, including projected generation retirements. The Long-Term Regional Transmission Plan shall be based on analyses that consider the data and information gathered and determined in accordance with this Schedule 619-C.

(c) The Long-Term Regional Transmission Plan shall, at a minimum, include a designation of the Transmission Owner(s) and/or other entity(ies) that will construct, own, and/or finance each Long-Term Transmission Project selected in accordance with this Schedule 619-C, and identify how all reasonably incurred costs are to be recovered.

1.4 Procedures and Considerations for Commencing Development of the Long-Term Regional Transmission Plan Long-Term Scenarios.

1.4.1 Commencement of the Process.

The Office of the Interconnection shall initiate a new Long-Term Regional Transmission Plan study process at least once every five years but may reduce the cycle duration as the process matures over time. Except for the first Long-Term Regional Transmission Plan study process conducted pursuant to this Schedule 619-C, a Long-Term Regional Transmission Plan study process commences with the initial assumptions meeting of the Transmission Expansion Advisory Committee for a given cycle, in accordance with section 1.4.4. The data gathering and consultation process may begin before the commencement of a Long-Term Regional Transmission Plan study process. The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of the Long-Term Regional Transmission Plan study process.

1.4.2 Development of Long-Term Regional Transmission Plan Data, Scope, Assumptions, and Other Inputs.

(a) The Office of the Interconnection will engage with the PJM Area Relevant State Entities Committee, relevant Tribal authorities and local governmental bodies, Transmission Owners, and other relevant entities to identify factors in the following categories that the Office of Interconnection determines are likely to affect Long-Term Transmission Needs:

- (1) federal, Tribal, state, and local laws and regulations that may affect the mix of resources that are projected to qualify to provide capacity and the demand for capacity;
- (2) federal, Tribal, state, and local laws and regulations that relate to decarbonization and electrification;
- (3) integrated resource plans that have been approved by relevant state agencies, cooperative boards, and municipal utility authorities and expected supply obligation for Load Serving Entities; and
- (4) public utility policy goals and federal, Tribal, state, and local policy goals.

Such engagement will include the ability for applicable federal, Tribal, state, and local bodies to send information to the Office of the Interconnection via an online portal or other suitable means as may be determined by the Office of the Interconnection. The Office of the Interconnection will also receive identification of the foregoing from any other interested stakeholder.

(b) The Office of the Interconnection will engage with interested entities, which may include Tribal, state and local governmental entities, Transmission Owners, Generation Owners, Load-Serving Entities, Electric Distributors, End-Use Customers, and any other interested entities or persons to gather other necessary data to identify other factors in the following categories that the Office of the Interconnection determines are likely to affect Long-Term Transmission Needs, including, but not limited to:

- (1) trends in fuel costs and in the cost, performance, and availability of different types of Capacity Resources, as well as trends in electrification technologies (e.g., transportation and building);
- (2) retirements of resources;
- (3) generator interconnection requests and withdrawals; and
- (4) public utility policy goals and federal, Tribal, state, and local policy goals.

The Office of the Interconnection may also gather other data and information that may be used in the development of the Long-Term Regional Transmission Plan. Such engagement may be informal and/or in accordance with the Transmission Expansion Advisory Committee stakeholder process. Such information and data may be provided upon request, as necessary, pursuant to the appropriate protection of confidentiality provisions and the Office of the Interconnection's CEI process.

(c) Using the data and information collected pursuant to this section 1.4.2 and section 1.4.3 and other data and information, the Office of the Interconnection shall, in consultation with the PJM Area Relevant States Committee, develop the Long-Term Scenario assumptions for use in the Long-Term Regional Transmission Plan study process.

1.4.3 Supply of Other Data.

In addition to the data and information gathered in accordance with section 1.4.2, the Office of the Interconnection shall gather data needed to conduct each Long-Term Regional Transmission Plan study process as follows:

(a) Consistent with the requirements in Tariff, Attachment M-5, each Transmission Owner shall provide the Office of the Interconnection a Candidate In-Kind Replacement Facility Needs List composed of anticipated In-Kind Replacement Facility Needs. Such Candidate In-Kind Replacement Facility Needs List shall be provided prior to development of scenarios in accordance with section 1.5. Transmission Owners may provide updated estimates of In-Kind Replacement Facilities throughout the Long-Term Regional Transmission Plan study cycle.

(b) The Office of the Interconnection also shall solicit from the PJM Area Relevant State Entities Committee (individually and as a group), Members, Transmission Customers, and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the Long-Term Regional Transmission Plan study, including laws, policies, and other information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and other information for consideration.

1.4.4 Initial Assumptions Meeting.

(a) The Office of the Interconnection, through the Transmission Expansion Advisory Committee, shall hold an initial assumptions meeting to be scheduled at the commencement of the Long-Term Regional Transmission Plan study process. The Office of the Interconnection may hold additional Transmission Expansion Advisory Committee meetings to discuss assumptions, as needed. The purpose of the assumptions meetings shall be to provide an open forum to discuss inputs and methods to be used in the development of scenarios and sensitivities. Such discussions may include other updates relevant to the development of the Long-Term Regional Transmission Plan.

(b) The Office of the Interconnection shall meet with the PJM Area Relevant State Entities Committee to discuss the assumptions, inputs, and methods to be used in the development of scenarios and sensitivities. Such discussions may include other updates relevant to the development of the Long-Term Regional Transmission Plan.

(c) Following the assumptions meetings and prior to developing scenarios, the Office of the Interconnection shall determine the range of assumptions to be used in the scenarios and studies, considering the advice and

recommendations of the Transmission Expansion Advisory Committee and the PJM Area Relevant State Entities Committee. The Office of the Interconnection shall document and publicly post its determination.

1.4.5 Coordination of the Long-Term Regional Transmission Plan.

(a) The Long-Term Regional Transmission Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers.

(b) The Long-Term Regional Transmission Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements, as they may be amended from time to time:

- Joint Operating Agreement Between the Midcontinent Independent System Operator, Inc. and PJM Interconnection, L.L.C., which is found at <https://www.pjm.com/pjmfiles/directory/merged-tariffs/miso-joa.pdf>;
- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule [619-B](#) and found at https://www.pjm.com/-/media/DotCom/documents/agreements/NE_Protocol.ashx;
- Joint Operating Agreement Among and Between New York Independent System Operator Inc. and PJM Interconnection, L.L.C., which is found at <https://www.pjm.com/-/media/DotCom/documents/agreements/nyiso-joa.ashx>;
- Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at [Operating Agreement Tariff](#), Schedule [619-A](#);
- Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Tariff, Schedule 12-B;
- Joint Reliability Coordination Agreement Among and Between PJM Interconnection, L.L.C., Tennessee Valley Authority, and Louisville Gas and Electric Company and Kentucky Utilities Company, which can be found at <https://www.pjm.com/-/media/DotCom/documents/agreements/joint-reliability-agreement-jrca-pjm-tva.ashx>;

- Amended and Restated Agreement Joint Operating Agreement Among and Between PJM Interconnection L.L.C., and Duke Energy Progress, LLC, which is found at <https://www.pjm.com/directory/merged-tariffs/progress-joa.pdf>.

Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

1.5 Development of Scenarios.

(a) For each Long-Term Regional Transmission Plan study cycle, the Office of the Interconnection shall develop at least three Long-Term Scenarios. The scenarios will: (1) be plausible and diverse; (2) utilize a 20-year transmission planning horizon; (3) reasonably represent probable future system needs; and (4) be based on best available data inputs, as collected in accordance with section 1.4. In developing Long-Term Scenarios, the Office of the Interconnection may utilize scenarios developed in prior near-term and long-term regional transmission plan study processes, updated with new data inputs, as necessary. In the development of the Long-Term Scenarios, the Office of the Interconnection will consider all data and information gathered pursuant to sections 1.4.2 and 1.4.3. Based on the feedback received in the processes set forth in sections 1.4.3 and 1.4.4 and its own analyses and engineering judgment, the Office of the Interconnection may accord different considerations of such data inputs in each scenario, but may not discount any data inputs relating to the factors set forth in section 1.4.2(a)(1) through (3) above. The Office of the Interconnection shall publish a general statement explaining how it will account for such data in the development of Long-Term Scenarios, including the extent to which it will discount any data inputs relating to the factors set forth in section 1.4.2(b)(1) through (4) above in each Long-Term Scenario, and list the data inputs it considered but did not incorporate in the Long-Term Scenario development. The Office of the Interconnection shall develop at least one extreme weather sensitivity and apply it to at least three Long-Term Scenarios.

(b) To the extent the PJM Area Relevant State Entities Committee formally requests the development of an additional Long-Term Scenario to be considered as part of the Long-Term Regional Transmission Plan study process, the Office of the Interconnection shall consider developing and studying such additional Long-Term Scenario within the Long-Term Regional Transmission Plan study process cycle. Such request must be made within 90 days from the initial assumptions meeting held pursuant to section 1.4.4. While the PJM Area Relevant State Entities Committee may specify assumptions and how certain data inputs should be considered differently than in any of the Long-Term Scenarios developed in accordance with section 1.5(a), to the extent such consideration of data or other PJM Area Relevant State Entities Committee-specific directive would result in a Long-Term Scenario that does not meet the requirements of this Schedule 619-C, such scenario may not be used in the Long-Term Regional Transmission Plan study process for the purposes of identifying Long-Term Transmission Needs or selecting Long-Term Transmission Projects.

(c) The Office of the Interconnection will post initial draft Long-Term Scenarios developed in accordance with this section 1.5 for review by interested stakeholders, including the PJM Area Relevant Entities Committee, subject to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEI process. The Office of the Interconnection, through the Transmission Expansion Advisory Committee, shall hold a minimum of one meeting to discuss such draft Long-Term Scenarios. The Transmission Expansion Advisory Committee participants, as well as the PJM Area Relevant Entities Committee, will be afforded the opportunity to provide feedback on the draft scenarios.

1.6 Development of Long-Term Regional Transmission Plan Studies.

(a) The Office of the Interconnection shall conduct Long-Term Regional Transmission Plan studies in accordance with the procedures in this Schedule 619-C and in the PJM Manuals. In conducting the Long-Term Regional Transmission Plan studies, the Office of the Interconnection may collaborate with Transmission Owners, as appropriate.

(i) The Office of the Interconnection shall build power flow, production cost, and other appropriate models, as necessary, for analyses of the scenarios developed in accordance with section 1.5. Such analyses may include reliability, economic, and operational performance analyses, as well as other considerations.

(ii) The Office of the Interconnection may use sensitivity studies, modeling assumption variations and scenario analyses in evaluating and identifying Long-Term Transmission Needs and in assessing possible solutions.

(b) In accordance with the procedures in this Schedule 619-C and in the PJM Manuals, and based on the Office of the Interconnection's engineering judgment and other information available to the Office of the Interconnection, the Long-Term Regional Transmission Plan studies shall identify projected limitations on the Transmission System's physical, economic, and/or operational capability or performance to identify Long-Term Transmission Needs, determined based on reliability, economic, public policy, operational, and other drivers which may include: (1) the magnitude and severity of the issue; (2) the voltage level of the Transmission Facility on which the issue would occur; (3) the conditions in which the issue arose in the analyses; (4) the concentration and number of the issues; (5) type and nature of the driver; and (6) evolution of the issue over time.

(c) The Office of the Interconnection shall provide the results of its Long-Term Regional Transmission Plan studies and analyses to the PJM Area Relevant State Entities Committee and the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Long-Term Transmission Needs and the need for Long-Term Transmission Projects. The Office of the Interconnection shall hold additional meetings of the Transmission Expansion Advisory Committee to provide the opportunity for participants to review and offer comments regarding the violations of reliability criteria and analyses of the economic and operational

performance of the Transmission System, as identified through the work performed by the Office of the Interconnection. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee. The Office of the Interconnection will provide updates on the status of the development of the Long-Term Regional Transmission Plan at these meetings.

1.6.1 Re-evaluation of Long-Term Transmission Projects in the Regional Transmission Expansion Plan.

(a) The Office of the Interconnection may evaluate, in each Long-Term Regional Transmission Plan study process, whether a previously approved Long-Term Transmission Project that has been incorporated into the Regional Transmission Expansion Plan should remain in the Regional Transmission Expansion Plan. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board. The Office of the Interconnection shall re-evaluate the continued need for a given Long-Term Transmission Project under the following circumstances:

(1) To the extent the Designated Entity fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date such that the project is unlikely to be in-service by the requested in-service date jeopardizing system reliability, operational performance, or other obligations of the Office of the Interconnection, the Office of the Interconnection may re-evaluate the need for the Long-Term Transmission Project, and based on that re-evaluation may: (i) retain the Long-Term Transmission Project in the Regional Transmission Expansion Plan; (ii) remove the Long-Term Transmission Project from the Regional Transmission Expansion Plan; or (iii) seek an alternative solution for inclusion in the Long-Term Regional Transmission Plan.

If the Office of the Interconnection retains the Long-Term Transmission Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Long-Term Transmission Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate.

(2) To the extent the Office of the Interconnection becomes aware of a significant increase in the costs to construct and place in service an approved Long-Term Transmission Project, whether in relation to the project's benefits or on a standalone basis, the Office of the Interconnection may re-evaluate the need for the Long-Term Transmission Project, including evaluating updated costs and benefits in accordance with ~~Operating Agreement Tariff~~, Schedule 619-C, and based on that re-evaluation may: (i) retain the Long-Term Transmission Project in the Regional Transmission Expansion Plan; (ii) remove the Long-Term Transmission Project from the Regional Transmission Expansion Plan; or (iii) seek an alternative solution for inclusion in the Long-Term Regional Transmission Plan. If the

Office of the Interconnection retains the Long-Term Transmission Project in the Regional Transmission Expansion Plan, the Designated Entity shall not change.

(3) To the extent the Office of the Interconnection becomes aware of a change in law or regulation such that the Long-Term Transmission Project may no longer meet the applicable selection criteria on which the project was initially selected, the Office of the Interconnection may re-evaluate the need for the Long-Term Transmission Project, including evaluating updated costs and benefits in accordance with ~~Operating Agreement~~ Tariff, Schedule 619-C, sections 1.9 and 1.10 and/or 1.11, as applicable, and based on that re-evaluation may: (i) retain the Long-Term Transmission Project in the Regional Transmission Expansion Plan; (ii) remove the Long-Term Transmission Project from the Regional Transmission Expansion Plan; or (iii) seek an alternative solution for inclusion in the Long-Term Regional Transmission Plan. If the Office of the Interconnection retains the Long-Term Transmission Project in the Regional Transmission Expansion Plan, the Designated Entity shall not change.

(b) In each of these three circumstances, the Office of the Interconnection shall employ the following principles in re-evaluating inclusion of such Long-Term Transmission Projects in the Regional Transmission Expansion Plan (i) system reliability must be preserved and (ii) benefits accounting for costs over time should be maximized without over-building facilities.

(c) Notwithstanding the foregoing, the Office of the Interconnection may not re-evaluate and remove a Long-Term Transmission Projects included in the Regional Transmission Expansion Plan if the Office of the Interconnection determines that (i) removal of the Long-Term Transmission Project, or specific components of the project, may adversely affect reliability of the Transmission System, (ii) the benefits of the Long-Term Transmission Project(s) still outweigh its costs, considering sunk costs and advancement of construction activities, or (iii) removal of the project from the Regional Transmission Expansion Plan would have adverse and cascading impacts to the interconnection and transmission planning processes.

1.6.2 Identification of Core LT Needs and Additional LT Needs.

(a) The Office of the Interconnection shall classify the subset of Long-Term Transmission Needs identified in the Long-Term Regional Transmission Plan study needed to maintain system reliability as Core LT Needs. Such Long-Term Transmission Needs are associated with maintaining system reliability as determined by the following model inputs: projected transmission system topology; forecasted future demand, including load growth and firm transmission commitments; projected generation resource deactivations and additions; and a generation resource mix capable of meeting applicable reliability criteria. Core LT Needs, while driven by maintaining system reliability, can also encompass economic and policy needs.

(b) The Office of the Interconnection shall classify as an Additional LT Need any Long-Term Transmission Need identified in the Long-Term Regional Transmission Plan study that is not classified as a Core LT Need.

(c) Following identification and classification of Long-Term Transmission Needs and prior to opening the proposal window in accordance with section 1.8, the Office of the Interconnection shall post: (1) all Long-Term Transmission Needs identified in the Long-Term Regional Transmission Plan study; (2) whether such needs are classified as Core LT Needs or Additional LT Needs; (3) the information related to each need as described further in section 1.8(b); and (4) whether a Right-Sized Replacement Facility may address a posted Long-Term Transmission Need as described further in section 1.7. For each Long-Term Transmission Need that may be addressed through right-sizing an In-Kind Replacement Facility pursuant to section 1.7, the Office of the Interconnection will post for informational purposes the Long-Term Transmission Need, the relevant In-Kind Replacement Facility, the identified Right-Sized Replacement Facility, and any incidental system impacts caused by the Right-Sized Replacement Facility that would need to be addressed. Such postings shall support the role of the Transmission Expansion Advisory Committee in the development of the Long-Term Regional Transmission Plan, and the Office of the Interconnection may receive feedback on such postings prior to opening the proposal window in accordance with section 1.8. The Office of the Interconnection shall provide the Transmission Expansion Advisory Committee and the PJM Area Relevant State Entities Committee an opportunity to comment on the classification of Core LT Needs and Additional LT Needs.

1.7 Identification of Right-Sized Replacement Facilities.

The Office of the Interconnection shall identify for possible selection Right-Sized Replacement Facilities to address Long-Term Transmission Needs. Identification of Right-Sized Replacement Facilities shall be as follows:

(a) Prior to the posting of Long-Term Transmission Needs as described in section 1.6.2(c), the Office of the Interconnection shall meet with each Transmission Owner individually to review the identified Long-Term Transmission Needs and the Candidate In-Kind Replacement Facility Needs List provided pursuant to Tariff, Attachment M-5. The Office of the Interconnection will then evaluate the In-Kind Replacement Facility Needs against the Long-Term Transmission Needs identified in accordance with section 1.6.2 to evaluate whether any Long-Term Transmission Need can be addressed through Right-Sized Replacement Facilities. The determination of any such Right-Sized Replacement Facility, similar to proposals submitted through the competitive window in section 1.8, shall consider all viable transmission technologies, including alternative transmission technologies in accordance with section 1.8(c)(2). The Office of the Interconnection will notify the Transmission Expansion Advisory Committee of any identified Right-Sized Replacement Facilities for review and comment and explain its conclusions.

(b) A Transmission Owner that is the owner of the existing asset that has been identified and selected to be a Right-Sized Replacement Facility shall be designated to construct and own or finance any facilities identified and selected as a Right-Sized Replacement Facility.

1.8 Development of Long-Term Transmission Projects to Address Identified Long-Term Transmission Needs.

(a) **Pre-Qualification Process.** All entities desiring to be eligible to be a Designated Entity of a Long-Term Transmission Project(s) must pre-qualify to be a Designated Entity in accordance with the terms and conditions set forth in [Operating Agreement Tariff](#), Schedule [619](#), section 1.5.8(a).

(b) **Posting of Long-Term Transmission Needs.** Following identification of Long-Term Transmission Needs in the Long-Term Regional Transmission Plan studies described in this [Operating Agreement Tariff](#), Schedule [619](#)-C and the PJM Manuals, and after consideration of identified Long-Term Transmission Needs which can be addressed by a Right-Sized Replacement Facility pursuant to section 1.7, and as part of opening the proposal window, the Office of the Interconnection shall post on the PJM website all Long-Term Transmission Need information, including the studies for each Long-Term Scenario, a recommended set of Long-Term Transmission Needs to be addressed classified into Core LT Needs and Additional LT Needs, the system conditions considered, and policy requirements, including federal, state, Tribal, and local policy objectives. For each Long-Term Transmission Need that may be addressed through right-sizing an In-Kind Replacement Facility Need pursuant to section 1.7, the Office of the Interconnection will post for informational purposes the Long-Term Transmission Need, the relevant In-Kind Replacement Facility Need, the identified Right-Sized Replacement Facility, and any incidental system impacts caused by the Right-Sized Replacement Facility that would need to be addressed. The Office of the Interconnection also shall post an explanation regarding why certain Long-Term Transmission Needs, if any, were identified but were not to be addressed through proposals, including whether such needs were determined to be more appropriately addressed in a different planning process or through subsequent Long-Term Regional Transmission Planning cycles.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 120 to 180-day proposal window for all posted Long-Term Transmission Needs. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on, among other things: (1) complexity of the violations or system conditions and the anticipated lead-times associated with the proposals; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system conditions. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change. The Office of the Interconnection may lengthen a proposal window that already is opened based on one or more of the following criteria: (i) material changes in assumptions or conditions relating to the underlying drivers for a Long-Term Transmission Need; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window at the time of communicating the change. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential transmission enhancements to address the posted Long-Term Transmission Needs.

(1) All proposals submitted in the proposal windows must, in accordance with the PJM Manuals, contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed

project; (v) to the extent any component of the proposal would operate at voltages less than 200 kV, a justification supporting the inclusion of such component(s) as necessary to address the Long-Term Transmission Need; (vi) the projected in-service date supported by, at least, a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the projected in-service date; (vii) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project (in present day dollars); and (viii) a \$10,000 non-refundable deposit must be included with each project proposal submitted by a proposing entity that indicates an intention to be the Designated Entity.

(2) In addition, each proposal must detail how the project sponsor considered the following alternative transmission technologies in addressing the Long-Term Transmission Need(s) to be addressed by the proposal: (i) dynamic line ratings; (ii) advanced power flow control devices; (iii) advanced conductors; and (iv) transmission switching. To the extent such an alternative transmission technology is not part of the proposal, the proposal must provide a sufficiently detailed justification explaining why the alternative transmission technology is not part of the proposal. Such consideration and justification should be consistent with the best practices related to alternative transmission technologies set forth in the PJM Manuals and technical reference guides posted by the Office of the Interconnection.

(3)(i) In addition, any proposing entity indicating its intention to be the Designated Entity will be responsible for and must pay all actual costs incurred by the Office of the Interconnection to evaluate the submitted project proposal. To the extent the Office of the Interconnection incurs costs to evaluate multiple submitted project proposals where such costs are not severable by individual project proposal, the Office of the Interconnection shall invoice equal shares of the non-severable costs among the project proposals that cause such non-severable costs to be incurred. Notwithstanding this method of invoicing non-severable costs, non-severable costs will be jointly and severally owed by the proposing entities that cause such costs to be incurred.

(3)(ii) All non-refundable deposits will be credited towards the actual costs incurred by the Office of the Interconnection as a result of the evaluation of a submitted project proposal.

(3)(iii) Following the close of a proposal window but before the Office of the Interconnection incurs any third-party consultant work costs to evaluate a submitted project proposal, the Office of the Interconnection will issue to the proposing entity an initial invoice seeking payment of estimated costs to evaluate each submitted project proposal. The estimated costs will be determined by considering the: potential cost of consultant work, historical estimates for project proposals of similar scope, complexity and nature of the need, and/or technology and nature of the project proposal. The Office of the Interconnection may issue additional invoices to the proposing entity prior to the completion of the evaluation activities associated with a project proposal if the Office of the Interconnection receives updated actual cost information and/or upon consideration of the factors specified in this section.

(3)(iv) At the completion of the evaluation activities associated with a project proposal, the Office of the Interconnection will reconcile the actual costs with monies paid and, to the extent necessary, issue either a final invoice or refund.

(3)(v) The proposing party must pay any invoiced costs within fifteen (15) calendar days of the Office of the Interconnection sending the invoice to the proposing entity or its agent. For good cause shown, this fifteen (15) calendar day time period may be extended by the Office of the Interconnection. If the proposing entity fails to pay any invoice within the time period specified and/or extended by the Office of the Interconnection in accordance with this section, the proposing entity's pre-qualification status may be suspended and the proposing entity will be ineligible to be a Designated Entity for any projects that do not yet have an executed Designated Entity Agreement. Such a suspension and/or ineligibility will remain in place until the proposing entity pays in full all outstanding monies owed to the Office of the Interconnection as a result of the evaluation of the proposing entity's project proposal(s).

(4) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to section 1.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (iv) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (v) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vi) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any binding cost commitment proposal the entity may wish to submit; and (vii) any other information that may assist the Office of the Interconnection in evaluating the proposed project. To the extent that an entity submits a cost commitment proposal the entity shall submit sufficient information for the Office of Interconnection to determine the binding nature of the proposal with respect to critical elements of project development. The Office of the Interconnection may not alter the requirements for proposal submission to require the submission of a binding cost commitment proposal, in whole or in part, or otherwise mandate or unilaterally alter the terms of any such proposal or the requirements for proposal submission, the submission of any such proposals at all times remaining voluntary.

(5) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in sections 1.9, 1.10, 1.11, and 1.15. If the Office of the Interconnection determines any of the information provided in a proposal is deficient, including the information required by section 1.8(c)(2) regarding alternative transmission technologies, or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for

additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(6) The request for additional reports or information by the Office of the Interconnection pursuant to section 1.8(c)(5) may be used only to clarify a proposed project as submitted. In response to the Office of the Interconnection's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended Long-Term Regional Transmission Plan.

(7)(i) The Office of the Interconnection may work with one or more project sponsors, including the Transmission Owner of an identified Right-Sized Replacement Facility, to modify submitted proposals, including an identified Right-Sized Replacement Facility, so as to adjust the submitted proposed projects to best address the posted Long-Term Transmission Needs in a more efficient or cost-effective manner.

(7)(ii) In addition to the process specified in section 1.7, the Office of the Interconnection shall consult with the Transmission Owner listing an In-Kind Replacement Facility Need to review and/or consider modifying an identified Right-Sized Replacement Facility. To the extent the Office of the Interconnection, through its review of proposals, determines that there may be an additional opportunity for right-sizing of an In-Kind Replacement Facility Need to address a posted Long-Term Transmission Need, the Office of the Interconnection shall consult with the Transmission Owner listing such In-Kind Replacement Facility Need regarding identification of an additional Right-Sized Replacement Facility. As part of consultations under this section regarding a Right-Sized Replacement Facility, the Transmission Owner shall provide the Office of the Interconnection with estimated cost of an anticipated replacement facility that would otherwise address the associated In-Kind Replacement Need absent the Right-Sized Replacement Facility.

(8) Within 60 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity's submittal includes multiple project proposals or components. Within 15 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Proposals.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to section 1.8(c) and all identified Right-Sized Replacement Facilities. The Office of the Interconnection shall review and evaluate all proposals submitted during a proposal window, including the justification for the inclusion or exclusion of alternative transmission technologies based on the information submitted in accordance with section 1.8(c)(2). In accordance

with sections 1.9, 1.10, and 1.11, the Office of the Interconnection shall evaluate all identified Right-Sized Replacement Facilities and each proposal submitted during a proposal window and identify proposals for inclusion in the Core Plan and the All-in-One Plan. Proposals that were not preliminarily selected in the All-in-One Plan in accordance with section 1.12(b) shall be separately identified and eligible for voluntary funding opportunities, where the Office of the Interconnection deems appropriate, in accordance with section 1.14.

1.9 Evaluation of Proposals to Address Posted Long-Term Transmission Needs.

(a) The Office of the Interconnection may evaluate proposals, including any identified Right-Sized Replacement Facilities, individually or in conjunction with other proposals to determine the more efficient or cost-effective solution for addressing the identified Long-Term Transmission Needs. In determining whether a proposal submitted pursuant to section 1.8(c), individually or in combination with other proposals, is the more efficient or cost-effective solution and therefore should be included in the recommended Long-Term Regional Transmission Plan, the Office of the Interconnection, based on its engineering judgment and taking into account sensitivity studies and scenario analyses considered pursuant to section 1.6, shall consider, at a minimum, the following criteria and as further described in the PJM Manuals, to the extent applicable: (i) the extent to which the proposal would address and solve the posted Long-Term Transmission Need and not create or exacerbate other Long-Term Transmission Needs, including the proposal's expected in-service date relative to the requested in-service date; (ii) the extent to which the proposal would have secondary benefits, such as addressing additional or other system reliability, operational performance, or economic efficiency needs; (iii) the ability to timely complete the project and project development feasibility; (iv) the robustness of the proposal, including the expandability of the proposed Transmission Facility(ies); (v) constructability, including the maximization of existing rights-of-way; (vi) the benefits, as determined in part in accordance with section 1.9(b), including the maximization of benefits, all other things equal; (vii) costs; and (viii) other factors affecting the cost-effectiveness of the proposed solution, including the quality and effectiveness of any voluntarily-submitted binding cost commitment proposal related to Transmission Facilities which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. The Office of the Interconnection shall use its engineering judgment in evaluating the proposals. In scrutinizing the cost of project proposals, the Office of the Interconnection shall determine for each proposal, the comparative risks to be borne by ratepayers as a result of the proposal's binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall summarize, in a clear and transparent manner, the rationale by which the Office of the Interconnection scrutinized the cost and overall cost-effectiveness of each finalist's proposal, including any binding cost commitments. Such comparative analysis shall be presented to the Transmission Expansion Advisory Committee for review and comment. In evaluating any cost, return on equity and/or capital structure proposal, the Office of the Interconnection is not making a determination that the cost, return on equity or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the Commission. Stakeholders seeking to dispute a particular return on equity analysis utilized in the evaluation process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. The Office of the Interconnection may modify the technical specifications of a proposal, in accordance with the PJM Manuals and in consultation with the proposing entity, which may result in the modified proposal being determined to be the more efficient or cost-effective proposal for recommendation to the PJM Board.

(b) For each proposal submitted pursuant to section 1.8(c), the Office of the Interconnection will evaluate, at a minimum, the following benefits associated with installation of the proposal over a 20-year planning horizon starting from the estimated in-service date of the Long-Term Transmission Project: (i) the avoidance or deferral of any transmission facilities and/or replacement of aging transmission infrastructure, including cost savings associated with accelerating the development of a Long-Term Transmission Project start date in lieu of implementing a Short-term Project or replacement facility; (ii) reduction in loss of load probability or planning reserve margin; (iii) production cost savings; (iv) reduction in transmission energy losses; (v) any reduction in transmission congestion resulting from transmission outages; (vi) mitigation of extreme weather events and unexpected system conditions; (vii) capacity cost benefits from reduced peak losses or the line loss component of the corresponding reduced loss of load benefit; and (viii) any other financially quantifiable benefit to customers resulting from a Long-Term Transmission Project. The Office of the Interconnection, in accordance with the PJM Manuals, may measure the foregoing benefits through a production cost simulation model and other models, as appropriate, accounting for both normal operating conditions and extreme weather events, except with respect to the benefit in section (b)(i) which may be measured on an avoided cost basis.

1.9 Evaluation of Proposals to Address Posted Long-Term Transmission Needs.

(a) The Office of the Interconnection may evaluate proposals, including any identified Right-Sized Replacement Facilities, individually or in conjunction with other proposals to determine the more efficient or cost-effective solution for addressing the identified Long-Term Transmission Needs. In determining whether a proposal submitted pursuant to section 1.8(c), individually or in combination with other proposals, is the more efficient or cost-effective solution and therefore should be included in the recommended Long-Term Regional Transmission Plan, the Office of the Interconnection, based on its engineering judgment and taking into account sensitivity studies and scenario analyses considered pursuant to section 1.6, shall consider, at a minimum, the following criteria and as further described in the PJM Manuals, to the extent applicable: (i) the extent to which the proposal would address and solve the posted Long-Term Transmission Need and not create or exacerbate other Long-Term Transmission Needs, including the proposal's expected in-service date relative to the requested in-service date; (ii) the extent to which the proposal would have secondary benefits, such as addressing additional or other system reliability, operational performance, or economic efficiency needs; (iii) the ability to timely complete the project and project development feasibility; (iv) the robustness of the proposal, including the expandability of the proposed Transmission Facility(ies); (v) constructability, including the maximization of existing rights-of-way; (vi) the benefits, as determined in part in accordance with section 1.9(b), including the maximization of benefits, all other things equal; (vii) costs; and (viii) other factors affecting the cost-effectiveness of the proposed solution, including the quality and effectiveness of any voluntarily-submitted binding cost commitment proposal related to Transmission Facilities which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. The Office of the Interconnection shall use its engineering judgment in evaluating the proposals. In scrutinizing the cost of project proposals, the Office of the Interconnection shall determine for each proposal, the comparative risks to be borne by ratepayers as a result of the proposal's binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall summarize, in a clear and transparent manner, the rationale by which the Office of the Interconnection scrutinized the cost and overall cost-effectiveness of each finalist's proposal, including any binding cost commitments. Such comparative analysis shall be presented to the Transmission Expansion Advisory Committee for review and comment. In evaluating any cost, return on equity and/or capital structure proposal, the

Office of the Interconnection is not making a determination that the cost, return on equity or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the Commission. Stakeholders seeking to dispute a particular return on equity analysis utilized in the evaluation process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. The Office of the Interconnection may modify the technical specifications of a proposal, in accordance with the PJM Manuals and in consultation with the proposing entity, which may result in the modified proposal being determined to be the more efficient or cost-effective proposal for recommendation to the PJM Board.

(b) For each proposal submitted pursuant to section 1.8(c), the Office of the Interconnection will evaluate, at a minimum, the following benefits associated with installation of the proposal over a 20-year planning horizon starting from the estimated in-service date of the Long-Term Transmission Project: (i) the avoidance or deferral of any transmission facilities and/or replacement of aging transmission infrastructure, including cost savings associated with accelerating the development of a Long-Term Transmission Project start date in lieu of implementing a Short-term Project or replacement facility; (ii) reduction in loss of load probability or planning reserve margin; (iii) production cost savings; (iv) reduction in transmission energy losses; (v) any reduction in transmission congestion resulting from transmission outages; (vi) mitigation of extreme weather events and unexpected system conditions; (vii) capacity cost benefits from reduced peak losses or the line loss component of the corresponding reduced loss of load benefit; and (viii) any other financially quantifiable benefit to customers resulting from a Long-Term Transmission Project. The Office of the Interconnection, in accordance with the PJM Manuals, may measure the foregoing benefits through a production cost simulation model and other models, as appropriate, accounting for both normal operating conditions and extreme weather events, except with respect to the benefit in section (b)(i) which may be measured on an avoided cost basis.

1.11 Criteria for Considering Inclusion of a Project in the All-in-One Plan.

(a) After the close of the competitive window described in section 1.8, the Office of the Interconnection, based on its evaluation of proposals, individually and in conjunction with other proposals, in accordance with section 1.9 and in accordance with the PJM Manuals and its engineering judgment, shall develop an All-in-One Plan that addresses the posted Core LT Needs plus those Additional LT Needs holistically in accordance with the criteria in this section. Any Long-Term Transmission Project (or portion thereof) included in the All-in-One Plan to address one or more related Additional LT Needs, in whole or in part, shall have an All-in-One Incremental Plan Benefit-to-Cost Ratio of no less than 1.25:1. To the extent no Additional LT Need may be addressed in whole or in part through a proposal submitted pursuant to section 1.8 for failure to meet the All-in-One Plan Incremental Benefit-to-Cost Ratio, the All-in-One Plan will be identical to the Core Plan.

(1) The All-in-One Plan Incremental Benefit-to-Cost Ratio shall equal the quotient of [the sum of all the incremental benefits of the Long-Term Transmission Project's facilities associated with addressing Additional LT Need(s) as compared to the benefits of such Long-Term Transmission Project's facilities associated with addressing Core LT Need(s)] divided by [the sum of all the incremental costs of the Long-Term Transmission Project's facilities associated with addressing Additional LT Need(s) as compared to the costs of such Long-Term Transmission

Project's facilities associated with addressing Core LT Need(s)], where benefits will be the present value of all benefits determined in accordance with section 1.9(b) determined for at least the first 20 years' of the Long-Term Transmission Project's life, and costs will be the present value of the costs determined in accordance with section 1.9(a) determined for the same timeframe as the benefits.

(2) For any proposal that could address a posted Additional LT Need but was not identified for inclusion in the initial All-in-One Plan, the Office of the Interconnection shall provide an explanation why such proposal was not identified as part of the posting made in accordance with section 1.12(a).

(b) If none of the proposed Long-Term Transmission Projects received during a proposal window would address or sufficiently address a posted Additional LT Need, the Office of the Interconnection may propose a Long-Term Transmission Project to solve the posted Additional LT Need for inclusion in the recommended Long-Term Regional Transmission Plan and will present such Long-Term Transmission Project to the Transmission Expansion Advisory Committee for review and comment. If the Office of the Interconnection proposes a specific project to address such need, the Transmission Owner(s) in the Zone(s) where the Long-Term Transmission Project is to be located shall be the Designated Entity(ies) for the Project. Alternatively, the Office of the Interconnection may open a 30-day (or longer) window, in accordance with the PJM Manuals, to solicit proposals to address such need. In such event, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee the results of such window, including any Long-Term Transmission Project identified by the Office of the Interconnection as the more efficient or cost-effective solution. The project(s) identified shall meet the All-in-One Incremental Plan Benefit-to-Cost Ratio.

1.12 Posting and Review of the Core Plan and the All-in-One Plan.

(a) The Office of the Interconnection shall post on the PJM website and present to both the PJM Area Relevant State Entities Committee and the Transmission Expansion Advisory Committee for review and comment the Core Plan and the All-in-One Plan and any proposals that would address Long-Term Transmission Needs but were not identified for inclusion in the Core Plan and/or All-in-One Plan. Such posting shall occur within three years of the commencement of the Long-Term Regional Transmission Plan study process, as provided in section 1.4.1.

(b) Prior to posting the Core Plan and the All-in-One Plan in accordance with section 1.12(a), the Office of the Interconnection shall preliminarily evaluate, considering the criteria in section 1.9, each Long-Term Transmission Project identified in the Core Plan and/or All-in-One Plan to determine whether selection would be timely and appropriate of any such project to be included in the recommended Long-Term Regional Transmission Plan. In such evaluation for preliminary selection, the Office of the Interconnection shall consider each Long-Term Transmission Project's development and implementation timeline, with particular consideration of whether such timeline must commence prior to the completion of the next Long-Term Regional Transmission Plan cycle. As part of the information posted in accordance with section 1.12(a), the Office of the Interconnection shall identify whether each

Long-Term Transmission Project included in the Core Plan and/or All-in-One Plan has been preliminarily selected for inclusion in the recommended Long-Term Regional Transmission Plan.

(c) Based on review and comment by both the PJM Area Relevant State Entities Committee and the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if it deems necessary, conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to both the PJM Area Relevant State Entities Committee and the Transmission Expansion Advisory Committee any revised Core Plan and the All-in-One Plan for review and comment. After consultation with both the PJM Area Relevant State Entities Committee and the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the All-in-One Plan for determining the recommended Long-Term Regional Transmission Plan consistent with this ~~Operating Agreement Tariff~~, Schedule ~~619~~-C.

1.13 State Opt-Out from Cost Responsibility for Long-Term Transmission Project(s) Addressing Additional LT Needs.

[Reserved]

1.14 Voluntary Funding for Long-Term Transmission Project(s) Addressing Additional LT Needs.

[Reserved]

TERM 3 – Revise PJM Committee Structure

OA

OA Definition**Senior Standing Committees:**

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~~"Senior Standing Committees" shall mean the Members Committee, and the Markets and Reliability Committee, as established in Operating Agreement, section 8.1 and Operating Agreement, section 8.6.~~

OA

8.1.1 Designation.

Voting on the [Members Senior Standing Committees](#) shall be by sectors. The Senior Standing Committee shall be composed of five sectors, one for Generation Owners, one for Other Suppliers, one for Transmission Owners, one for Electric Distributors, and one for End-Use Customers, provided that there are at least five Members in each Sector. Except as specified in Operating Agreement, section 8.1.2, each Voting Member shall have one vote. Each Voting Member shall, within thirty (30) days after the Effective Date or, if later, thirty (30) days after becoming a Member, and thereafter not later than 10 days prior to the Annual Meeting of the Members for each annual period beginning with the Annual Meeting of the Members, submit to the President a sealed notice of the sector in which it is qualified to vote or, if qualified to participate in more than one sector, its rank order preference of the sectors in which it wishes to vote, and shall be assigned to its highest-ranked sector that has the minimum number of Members specified above. If a Member is assigned to a sector other than its highest-ranked sector in accordance with the preceding sentence, its higher sector preference or preferences shall be honored as soon as a higher-ranked sector has five or more Members. A Voting Member may designate as its voting sector any sector for which it or its Affiliate or Related Party Members is qualified. The sector designations of the Voting Members shall be announced by the Office of the Interconnection at the Annual Meeting and shall apply to [the Members all Senior Standing Committees](#).

OA Schedule 7, Section 1.2 1.2 Obligations.

Underfrequency Relay Obligations and Charges

(a) Each Electric Distributor in the PJM Mid-Atlantic Region shall install or contractually arrange for underfrequency relays to interrupt at least 30 percent of its peak load with 10 percent of the load interrupted at each of three frequency levels: 59.3 Hz, 58.9 Hz and 58.5 Hz. Upon the request of the Members Committee, each Electric Distributor in the PJM Mid-Atlantic Region shall document that it has complied with the requirement for underfrequency load shedding relays.

(b) Each Electric Distributor in the PJM West Region shall install or contractually arrange for underfrequency relays to interrupt at least 25 percent of its peak load with 5 percent of the load interrupted at each of five frequency levels: 59.5 Hz, 59.3 Hz, 59.1 Hz, 58.9 Hz, and 58.7 Hz; provided, however, that each Electric Distributor in the Commonwealth Edison Company Zone shall install or contractually arrange for underfrequency relays to interrupt at least 30 percent of its peak load with 10 percent of the load interrupted at each of three frequency levels: 59.3 Hz, 59.0 Hz, and 58.7 Hz. Additionally, provided, however, that each Electric Distributor in the East Kentucky Power Cooperative Zone shall install or contractually arrange for underfrequency relays to meet requirements in the currently effective SERC underfrequency load shedding regional reliability standard, to interrupt 30 percent of its peak load including allowable tolerances identified in the SERC underfrequency load shedding regional reliability standard, with 5 percent of its peak load including allowable tolerances identified in the SERC underfrequency load shedding regional reliability standard at each of the frequency levels: 59.5 Hz, 59.3 Hz, 59.1 Hz, 58.9 Hz, 58.7 Hz and 58.5 Hz. Upon the request of the [Markets and Reliability Members](#) Committee established by the Reliability Assurance Agreement, each Electric Distributor in the PJM West Region shall document that it has complied with the requirement for underfrequency load shedding relays.

(c) Each Electric Distributor in the PJM South Region shall install or contractually arrange for underfrequency relays to interrupt at least 30 percent of its peak load with 10 percent of the load interrupted at each of 3 frequency levels: 59.3 Hz, 59.0 Hz, 58.5 Hz. Upon the request of the Markets and Reliability Committee established by the Reliability Assurance Agreement, each Electric Distributor in the PJM South Region shall document that it has complied with the requirement for underfrequency load shedding relays.

TERM 3 – Revise PJM Committee Structure**Tariff 13.1****Tariff Section 13 and Attachment DD, Section 13****13. EMERGENCY PROCEDURE CHARGE****13.1 Application of the Emergency Procedure Charge**

Following an Emergency, the compliance during the period of such Emergency with the instructions of the Office of the Interconnection of each Capacity Market Seller that committed Capacity Resources and each Locational UCAP Seller that sold Locational UCAP for such period shall be evaluated as recommended by the [Markets and Reliability Members](#) Committee and directed by the PJM Board. If, based on such evaluation, it is determined that a Capacity Market Seller or Locational UCAP Seller refused to comply with, or otherwise failed to employ its best efforts to comply with, the instructions of the Office of the Interconnection to implement PJM emergency procedures, then such Capacity Market Seller or Locational UCAP Seller shall pay an Emergency Procedure Charge.

OA 8.8 Powers of the Members Committee.

The Members Committee shall provide advice and recommendations concerning the reliable and secure operation of the PJM Interchange Energy Market and Ancillary Services markets, mechanisms to provide an efficient marketplace for products needed for resource adequacy and operating security, and otherwise as directed by the Members Committee. The Members Committee also addresses matters related to the reliable and secure operation of the PJM system and planning strategies to assure the continued ability of the Members to operate reliably and economically, consistent with reliability principles and standards.

The Members Committee shall have authority to control or direct the actions of the PJM Board or the Office of the Interconnection with regard to the short-term reliability of grid operations within the PJM Region.

The Members Committee, acting by adoption of a motion as specified in Operating Agreement, section 8.4, shall have the power to take the actions specified in this Agreement, including:

- i) Elect the members of the PJM Board;
- ii) In accordance with the provisions of Operating Agreement, section 18.6 , amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;
- iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;
- iv) Terminate this Agreement; and
- v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.

(vi) to approve Members Committee Annual Work Plan including prioritization of planned activities and initiation of activities supporting the approved plan. The development of the Annual Work Plan shall be accomplished utilizing a joint steering committee comprised of representatives of each Sector, the Chair and Vice Chair of the Members Committee, a representative of the MMU, and two representatives of the Organization of PJM States Inc.

(vii) provide advice and recommendations concerning issues pertaining to the operation and administration of the PJM markets, including but not limited to amendments to PJM's Operating Agreement, the PJMTariff, or market rules and procedures as necessary or appropriate to foster competition and assure the fair, reliable and efficient operation and administration of the PJM markets, as well as the reliable operation of the grid.

(viii) provide advice and recommendations as are necessary or appropriate to assure a high level of economy of service in the operation of the PJM Interchange Energy Market and other markets, in accordance with established market operation principles, practices and procedures, recognizing individual participant requirements for services, contractual obligations and other pertinent factors.

(ix) shall provide advice and recommendations concerning studies and analyses relating to the overall efficacy of the PJM Interchange Energy Market and in carrying out actions as may be initiated as a result thereof.

(x) shall provide advice and recommendations concerning revisions to the Operating Agreement, the Reliability Assurance Agreement, and the PJM Tariff that pertain to its areas of responsibility.

(xi) shall make annual and timely recommendations concerning the generating capacity reserve requirement and related demand-side valuation factors in making recommendations to the PJM Board of Managers.

(xii) shall provide direction to the Market Implementation Committee. The Market Implementation Committee shall provide advice and recommendations to the Members Committee directed to the advancement and promotion of competitive wholesale electricity markets in the PJM Region.

(xiii) shall provide direction to the Operating Committee and Planning Committee. The Operating Committee shall advise the Members Committee and PJM on matters pertaining to the reliable and secure operation of the PJM Region and the PJM Interchange Energy Market, as appropriate, and other matters as the Members Committee may request. The Planning Committee shall advise the Members Committee and PJM on matters pertaining to system reliability, security, economy of service, and planning strategies and policies and other matters as the Members Committee may request. The Members Committee shall review technical recommendations and changes initiated by the Operating Committee and Planning Committees and provide comments as needed. The Members Committee shall provide direction to the Transmission Expansion Advisory Committee on matters pertaining to the growth and maintenance of the transmission system. The TEAC will advise the Members Committee on matters relating to the transmission system. [Add Definition and Charter on TEAC]

(xiii) shall perform such other functions, directly or through delegation to a Standing Committee, subcommittee, working group or task force, as the Members Committee may direct.

(xv) shall create subcommittees, working groups or task forces when needed to assist in carrying out the duties and responsibilities of the Members Committee.

[Tariff Section Att. K, Section 8.9](#)

[8.9 Reporting and Compliance](#)

PJM will post on its website a report of demand response activity, and will provide a summary thereof to the PJM [Members Markets and Reliability](#) Committee on an annual basis.

[Tariff Attachment K, Section 1.5A](#)

1.5A.11 Reporting

(a) PJM will post on its website a report of demand response activity, and will provide a summary thereof to the PJM ~~Members~~ [Markets and Reliability](#) Committee on an annual basis.

TERM 3 – Revise PJM Committee Structure**RAA****RAA Markets and Reliability Committee:**

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~~"Markets and Reliability Committee" shall mean the committee established pursuant to the Operating Agreement as a Standing Committee of the Members Committee.~~

RAA 1.D. Agreement by New Party

After receipt of the response from the Office of the Interconnection, the entity shall identify its representative to the Members Committee ~~and Markets and Reliability Committee~~ and execute the counterpart of the Agreement, indicating the desired effective date; provided, however, such effective date shall be the first day of a month, may be no earlier than the date indicated in the response from the Office of the Interconnection and shall be no later than (i) the date on which the entity begins serving loads within the PJM Region or (ii) the termination date of any agency relationship through which its obligations under this Agreement had been satisfied. The executed counterpart of the Agreement, together with payment of its share of any costs then due, shall be returned as directed by the Office of the Interconnection.

RAA ARTICLE 6 -- MANAGEMENT ADMINISTRATION

Except as otherwise provided herein, this Agreement shall be managed and administered by the Parties, Members, and State Consumer Advocates through the Members Committee ~~and the Markets and Reliability Committee as a Standing Committee thereof~~, except as delegated to the Office of the Interconnection and except that only the PJM Board shall have the authority to approve and authorize the filing of amendments to this Agreement with the FERC.

RAA 7.7 Compliance Audit of Parties.

(a) For the 36 months following the end of each Planning Period, each Party shall make available the records and supporting information related to the performance of this Agreement from such Planning Period for audit.

(b) The Office of the Interconnection shall evaluate and determine the need for an audit of a Party and shall, upon a decision of the Members Committee to require such an audit, provide the Party or Parties to be audited with notice at least 90 days in advance of the audit.

(c) Any audit of a Party conducted pursuant to this Agreement shall be performed by an independent consultant to be selected by the Office of the Interconnection. Such audit shall include a review of the Party's compliance with the procedures and standards adopted pursuant to this Agreement.

(d) Prior to the completion of its audit, the independent consultant shall review its preliminary findings with the Party being audited and, upon the completion of its audit, the independent consultant shall issue a final audit report detailing the results of the audit, which final report shall be issued to the Party being audited, the Office of the Interconnection and the Members Markets and Reliability Committee; provided, however, no confidential data of any Party shall be disclosed through such audit reports.

(e) If, based on a final audit report, an adjustment is required to any amounts due to or from the Parties pursuant to Schedules 8, 12, or 13, such adjustment shall be accounted for in determining the amounts due to or from the Parties pursuant to Schedules 8, 12, or 13 for the month in which the adjustment is identified.

[RAA](#) 8.2 Determination of Charge Amounts.

No later than April 1 of each year, the Members Committee shall recommend to the PJM Board such charges to be applicable under this Agreement during the following Planning Period , which, upon approval by the PJM Board, shall be modified accordingly, subject to the receipt of all Required Approvals. The [Members Markets and Reliability](#) Committee may establish projected charges for estimating purposes only.

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SCHEDULE 11

DATA SUBMITTALS

To perform the studies required to determine the Forecast Pool Requirement and Daily Unforced Capacity Obligations under this Agreement and to determine compliance with the obligations imposed by this Agreement, each Party and other owner of a Capacity Resource shall submit data to the Office of the Interconnection in conformance with the following minimum requirements:

1. All data submitted shall satisfy the requirements, as they may change from time to time, of any procedures adopted by the Members Committee.
2. Data shall be submitted in an electronic format, or as otherwise specified by the [Members Markets and Reliability](#) Committee and approved by the PJM Board.
3. Actual outage data for each month for Generator Forced Outages, Generator Maintenance Outages and Generator Planned Outages shall be submitted so that it is received by such date specified in the PJM Manuals.
4. On or before the date specified in the PJM Manuals, planned and maintenance outage data for all Generation Resources shall be submitted.

TERM 4

7.2 Qualifications.

A Board Member shall not be, and shall not have been at any time within ~~two~~one -years of election to the PJM Board, a director, officer or employee of a Member or of an Affiliate or Related Party of a Member. Except as provided in the LLC's Standards of Conduct filed with the FERC, at any time while serving on the PJM Board, a Board Member shall have no direct business relationship or other affiliation with any Member or its Affiliates or Related Parties. Of the nine Board Members, four shall have expertise and experience in the areas of corporate leadership at the senior management or board of directors level, or in the professional disciplines of finance or accounting, engineering, or utility laws and regulation, one shall have expertise and experience in the operation or concerns of transmission dependent utilities, one shall have expertise and experience in the operation or planning of transmission systems, and one shall have expertise and experience in the area of commercial markets and trading and associated risk management. In seeking to fill a Board vacancy where an existing Board member is not seeking an additional term, when considering the desired qualifications of a Board candidate and where candidates have similar expertise and experience, a preference will be given to a candidate who resides in the PJM region.

7.3 Term of Office.

(a) [Reserved]. The persons serving as the Board of Managers of the LLC immediately prior to the Effective Date shall continue in office until the first Annual Meeting of the Members. At the first Annual Meeting of the Members, the then current members of the PJM Board who desire to continue in office shall be elected by the Members to serve until the second Annual Meeting of the Members or until their successors are elected, along with such additional persons as necessary to meet the composition requirements of Operating Agreement, section 7.1 and the qualification requirements of Operating Agreement, section 7.2.

(b) A Board Member shall serve for a term of three-four years commencing with the Annual Meeting of the Members at which the Board Member was elected and continuing until Annual Meeting four years later. - , provided, however, that two of the Board Members elected at the first Annual Meeting of the Members following the Effective Date shall be chosen by lot to serve a term of one year, three of such Board Members shall be chosen by lot to serve a term of two years and the final two such Board Members shall serve a term of three years; provided further, however, that the initial term of one of the two Board Members elected to fill one of the two new Board seats added in 2003 shall be chosen by lot to serve a term of four years and the initial term of the other Board Member elected to fill the other new Board seat added in 2003 shall serve a term of five years.

(c) Vacancies on the PJM Board occurring between Annual Meetings of the Members shall be filled by vote of the then remaining Board Members; a Board Member so selected shall serve until the next Annual Meeting at which time a person shall be elected to serve the balance of the term of the vacant Board Seat. Removal of a Board Member shall require the approval of the Members Committee.

(d) A Board member who has served for three complete terms of four years or twelve years will not be eligible to stand for re-election to the Board.

(e) Effective with the Annual Meeting in 2027, the Board is transitioning from three-year terms to four-year terms. For purposes of transitioning and staggering the terms of office for existing Board of Managers, the Members Committee has determined the sequence of the conclusion of the terms of the existing Board of Managers set forth in the chart below indicating the year concluding the current term for each of the existing members of the Board of Managers.

<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<u>Conboy</u> <u>Dietrich</u> <u>[New Board Member]</u>	<u>Ethier</u> <u>Nelson</u>	<u>Loebl</u> <u>Xie</u>	<u>Bekkedahl</u> <u>Berardesco</u>

7.1 Composition.

There shall be an LLC Board of Managers, referred to herein as the “PJM Board,” composed of nine voting members, with the President as a non-voting member. The nine voting Board Members shall be elected by the Members Committee. A Nominating Committee, consisting of one representative elected annually from each sector of the Members Committee established under Operating Agreement, section 8.1, [one representative identified and selected by the Organization of the PJM States, Inc.](#) and three voting Board Members (provided that one such Board Member shall serve only as a non-voting member of the Nominating Committee), shall retain an independent consultant, which shall be directed to prepare a list of persons qualified and willing to serve on the PJM Board. Not later than 30 days prior to each Annual Meeting of the Members, the Nominating Committee shall distribute to the representatives on the Members Committee one nominee from among the list proposed by the independent consultant for each vacancy or expiring term on the PJM Board, along with information on the background and experience of the nominees appropriate to evaluating their fitness for service on the PJM Board; provided, however, that the Nominating Committee in its discretion may nominate, without retaining an independent consultant, a Board member whose term is expiring and who desires to serve an additional term. Elections for the PJM Board shall be held at each Annual Meeting of the Members, for the purpose of selecting the initial PJM Board in accordance with the provisions of Operating Agreement, section 7.3(a), or selecting a person to fill the seat of a Board Member whose term is expiring. Should the Members Committee fail to elect a full PJM Board from the nominees proposed by the Nominating Committee, then the Nominating Committee shall propose a further nominee from the list prepared by the independent consultant (or a replacement consultant) for each remaining vacancy on the PJM Board for consideration by the Members at the next regular meeting of the Members Committee.

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

- i) As its primary responsibility, operate in the public interest consistent with the Federal Power Act and ensure that the President, the other officers of the LLC, and Office of the Interconnection perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Operating Agreement, section 9.2, Operating Agreement, section 9.3, Operating section 9.4, and Operating Agreement, section 10.4 in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market that is designed and operated for the benefit of consumers in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region; [Yellow highlighted material adopted at the August MC].
- ii) Select the Officers of the LLC;
- iii) Adopt budgets for the LLC;
- iv) Approve The Regional Transmission Expansion Plan in accordance with the provisions of the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6;
- v) On its own initiative or at the request of a User Group as specified herein, submit to the Members Committee such proposed amendments to this Agreement or any Schedule hereto, or a proposed new Schedule, as it may deem appropriate;
- vi) Petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the PJM Board believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any Member or the Members to intervene in any resulting proceedings;
- vii) Review for consistency with the creation and operation of a robust, competitive and non-discriminatory electric power market in the PJM Region any change to rate design or to non-rate terms and conditions proposed by Transmission Owners for filing under section 205 of the Federal Power Act;

- viii) If and to the extent it shall deem appropriate, intervene in any proceeding at FERC initiated by the Members in accordance with Operating Agreement, section 11.5(b), and participate in other state and federal regulatory proceedings relating to the interests of the LLC;
- ix) Review, in accordance with Operating Agreement, section 15.1.3, determinations of the Office of the Interconnection with respect to events of default;
- x) Assess against the other Members in proportion to their Default Allocation Assessment an amount equal to any payment to PJMSettlement and the Office of the Interconnection, including interest thereon, as to which a Member is in default;
- xi) Establish reasonable sanctions for failure of a Member to comply with its obligations under this Agreement;
- xii) Direct the Office of the Interconnection on behalf of the LLC and PJMSettlement to take appropriate legal or regulatory action against a Member (A) to recover any unpaid amounts due from the Member to the Office of the Interconnection under this Agreement and to make whole any Members subject to an assessment as a result of such unpaid amount, or (B) as may otherwise be necessary to enforce the obligations of this Agreement;
- xiii) [Reserved.]
- xiv) [Reserved.]
- xv) Solicit the views of Members on, and commission from time to time as it shall deem appropriate independent reviews of, (a) the performance of the PJM Interchange Energy Market, (b) compliance by Market Participants with the rules and requirements of the PJM Interchange Energy Market, and (c) the performance of the Office of the Interconnection under performance criteria proposed by the Members Committee and approved by the PJM Board; and
- xvi) Terminate a Member as may be appropriate under the terms of this Agreement.

TERM 6: JUMP BALL PROVISION-TARIFF, ATT. DD

(Re: Attachment DD: amended PJM 205 filing rights, jump ball filing-members, jump ball filing-OPSI, jump ball safety and reliability provision, PJM 205 filing independence/no undue preference)

TARIFF

9.2 Rights of the Transmission Provider:

(a) PJM shall have the exclusive and unilateral right to file pursuant to Section 205 of the Federal Power Act and the FERC's rules and regulations thereunder to make changes in or relating to the terms and conditions of the PJM Tariff (including but not limited to provisions relating to creditworthiness, billing, and defaults) as well as all charges for recovery of PJM costs. Notwithstanding the foregoing, PJM shall adhere to provisions of Tariff, sections 9.2(f), 9.2(g), and 9.2(h). PJM shall not have any Section 205 filing rights with respect to the subject matters described in the first sentence of Section 9.1(a) of this Tariff. PJM shall not have any Section 205 filing rights with respect to the provisions of the PJM Tariff listed in Section 9.1(d) and (e). Notwithstanding the foregoing, PJM shall have Section 205 filing rights to make changes in the PJM Tariff in order to address the Behind The Meter Generation netting rules in accordance with the settlement in FERC Docket No EL05-127-000 approved by the FERC on December 16, 2005, 113 FERC ¶ 61,279.

(b) PJM shall consult with the Transmission Owners and the PJM Members Committee beginning no less than seven (7) days in advance of any Section 205 filing under Section 9.2(a), but neither the Transmission Owners, except as provided for in Section 9.3, nor the PJM Members Committee shall have any right to veto or delay any such Section 205 filing. PJM may file with less than a full 7 day advance consultation in circumstances where imminent harm to system reliability or imminent severe economic harm to electric consumers requires a prompt Section 205 filing; provided that PJM shall provide as much advance notice and consultation with the Transmission Owners and the PJM Members Committee as is practicable in such circumstances, and no such emergency filing shall be made with less than 24 hours advance notice.

(c) Nothing herein is intended to limit the rights of any Party or other person to oppose such a Section 205 filing pursuant to Section 206 or any other applicable provision of the Federal Power Act or to limit the right of any Party or other person to make filings under Section 206 of the Federal Power Act.

(d) To the extent that PJM desires to add a provision to this Tariff, or to change an existing provision hereof, in accordance with its rights under Section 9.2(a), the Transmission Owners shall have unilateral and exclusive rights to make Section 205 filings with respect to any matters covered by such new or changed provisions relating to the establishment and recovery of the Transmission Owners' transmission revenue requirements, transmission rate design under the PJM Tariff, or any provisions governing the recovery of transmission-related costs incurred by the Transmission Owners. Prior to making any Section 205 filing covered by Section 9.2(a) that also relates to or affects the establishment and recovery of the Transmission Owners' transmission revenue requirements, the transmission rate design under the PJM Tariff, or any provisions governing the recovery of transmission-related costs incurred by the Transmission Owners, PJM shall provide no less than 45 days notice to the Transmission Owners of the intended

filing in sufficient detail to provide them a reasonable opportunity to include appropriate provisions in the PJM Tariff governing these subjects, either through a Section 205 filing by the Transmission Owners pursuant to Section 9.1(a) or approval by the Transmission Owners of the PJM proposal pursuant to Section 8.5.1 of the Consolidated Transmission Owners Agreement.

(e) PJM shall be required to maintain in effect at all times provisions relating to the creditworthiness of all customers under this Tariff that are designed to provide reasonable assurances to the Transmission Owners, consistent with FERC orders and policies applicable to open access transmission services, that such customers will be able to pay for transmission services purchased hereunder. If at any time PJM intends to make a Section 205 filing to change the creditworthiness provisions of this Tariff, it shall provide no less than 30 days advance notice to, and consult with, the Transmission Owners and the PJM Members Committee. In the case of an emergency requiring immediate action, PJM shall not be required to provide 30 days advance notice but shall provide as much advance notice as is practicable in the circumstances, and in no circumstances may PJM make an emergency Section 205 filing without providing at least 24 hours advance notice to the Transmission Owners. PJM shall further maintain at all times in the tariffs under which it recovers its costs comparable provisions, if any, for sharing among PJM members and/or transmission customers any shortfalls in the recovery of its own and the Transmission Owners' costs due to defaults.

(f)(i) To the extent that the Office of the Interconnection files unilaterally with FERC pursuant to Section 205 of the Federal Power Act and the FERC's rules and regulations thereunder to make changes to the terms and conditions of PJM Tariff, Attachment DD, Reliability Pricing Model, and any necessary conforming changes to the Reliability Assurance Agreement and PJM Tariff, and

a. any other Members Committee proposal(s) to make changes in or relating to the terms and conditions of PJM Tariff, Attachment DD, Reliability Pricing Model, and any necessary conforming changes to the Reliability Assurance Agreement and PJM Tariff, where the Members Committee proposal(s) receives the votes necessary pursuant to Operating Agreement, section 8.4, and/or

b. any Organization of PJM States, Inc. proposal to make changes to or relating to the terms and conditions of PJM Tariff, Attachment DD, Reliability Pricing Model, and any necessary conforming changes to the Reliability Assurance Agreement and PJM Tariff, where the Organization of PJM States, Inc.'s proposal satisfies the following conditions:

(1) the matter has an approved problem statement/issue charge;

(2) the states have executed a Memorandum of Understanding memorializing the shared responsibilities and roles between the states and the Office of the Interconnection over reliability and resource adequacy, and that has been filed with FERC, and

(3) the proposal receives the votes necessary pursuant to Operating Agreement section 8.4.

then the Office of the Interconnection shall, as part of an FPA Section 205 filing: (1) describe the alternate Members Committee proposal(s) in detail sufficient to permit reasonable review by the Commission, (2) explain the Office of the Interconnection's reasons for not adopting the proposal, and (3) provide an explanation as to why the Office of

the Interconnection believes its own proposal is superior to the proposal(s) approved by the Members Committee. The Commission will not be required to consider whether the then-existing filed rate is unlawful, and may adopt any or all of the Office of the Interconnection's proposal or the alternate proposal(s) as it finds, in its discretion, to be just and reasonable and preferable.

(f)(ii) Notwithstanding the provisions set forth above in PJM Tariff, section 9.2(f)(i), to the extent the PJM Board determines that any proposal by the Members Committee and/or any proposal by the Organization of PJM States, Inc. that meets the requirements of PJM Tariff, section 9.2(f)(i)(b), to make changes to the terms and conditions of PJM Tariff, Attachment DD, and any necessary conforming changes to the Reliability Assurance Agreement and the PJM Tariff, would compromise the safety or reliability of the bulk electric system of the PJM Region, the Office of the Interconnection will not be required to file such proposal(s) of the Members Committee and/or the Organization of PJM States, Inc. In that case, the Office of the Interconnection shall append the Organization of PJM States, Inc. and/or Members Committee proposal(s) and its analysis to the Office of the Interconnection's filing. The Office of the Interconnection's determination to not file such proposal(s) shall be subject to FERC review.

(g) The Office of the Interconnection shall not file, pursuant to Section 205 of the Federal Power Act and the FERC's rules and regulations thereunder, to make changes in or relating to the terms and conditions of PJM Tariff, Schedule 19, section 1.3 unless the proposed changes in or relating to the terms and conditions of PJM Tariff, Schedule 19, section 1.3 receive the majority vote of the Members Committee, in accordance with Operating Agreement, section 8.4.

(h) The Office of the Interconnection shall exercise its Federal Power Act Section 205 filing rights independently, and shall not, in filing pursuant to Federal Power Act Section 205, grant an undue preference or make a filing on behalf of any individual, member, company, state, or subdivision thereof. Filings by the Office of the Interconnection, as described in PJM Tariff, sections 9.2(f) and 9.2(g), above, shall not be considered a grant of an undue preference or a filing on behalf of any individual, member, company, state, or subdivision thereof.

TERM 6: JUMP BALL PROVISION-TARIFF, ATT. DD

(conforming revision)

RAA

ARTICLE 6 -- MANAGEMENT ADMINISTRATION

Except as otherwise provided herein, this Agreement shall be managed and administered by the Parties, Members, and State Consumer Advocates through the Members Committee ~~and the Markets and Reliability Committee as a Standing Committee thereof~~, except as delegated to the Office of the Interconnection and except that only the PJM Board shall have the authority to approve and authorize the filing of amendments to this Agreement with the FERC, provided the PJM Board shall comply with and effectuate the filing provisions set forth in PJM Tariff, section 9.2 with respect to common provisions in the PJM Tariff and this Agreement.

TERM 7 (OPSI BUDGET)

SCHEDULE 9-OPSI

OPSI Funding

a) The Organization of PJM States, Inc. ("OPSI") shall be funded pursuant to this Schedule 9-OPSI. This Schedule 9-OPSI recovers PJM's payments to OPSI as set forth below. The OPSI charge under this Schedule 9-OPSI shall be assessed on all megawatt-hours of transmission provided by PJM. PJM provides this service to customers using Point-to-Point and Network Integration Transmission Service under this Tariff.

b) PJM will charge each user each month a charge equal to the OPSI Funding Rate ("OFR") times the total quantity in MWhs of energy delivered during such month by such user as a transmission customer under this Tariff.

c) PJM shall submit to the Commission for review and approval the OPSI budget for calendar year 2027~~06~~, an amount totaling \$~~15,000,000~~~~425,000~~. Each year thereafter, OPSI shall submit to the PJM finance committee an annual budget for the next calendar year no later than June 1st. The OPSI Board will receive comments from the PJM finance committee for consideration until September 1st. OPSI shall submit its final annual budget for the next calendar year to PJM no later than September 30th. PJM shall submit such annual budget to the Commission for information (except where such annual budget includes an increase of greater than fifteen percent above the budget on file for the current calendar year, in which case PJM shall submit the budget to the Commission for review and approval), and post the next calendar year's OPSI budget and resulting OFR on the PJM internet site, no later than October 31st.

d) The OFR shall be calculated each year in accordance with the formula:

$$\text{OFR} = \frac{\text{CYOC}}{\text{PJMTHTU}}$$

where:

OFR is the OPSI Funding Rate.

Current Year OPSI Charges ("CYOC") are the costs for OPSI funding determined in accordance with the annual budget submitted by OPSI for the year for which OFR is being calculated, with said annual budget to take into

account any credit or deficiencies from the prior year based on OPSI's actual expenses for the prior year as compared to OPSI's revenues received under this Schedule 9-OPSI for the prior year. The OPSI budget shall include only expenses that are appropriate to and directly related to the purposes for which OPSI was formed.

PJM Total Hourly Transmission Usage ("PJMTHTU") is the estimated total quantity in MWhs of energy to be delivered (including losses) under Point-to-Point and Network Integration Transmission Service by all customers during the year for which OFR is being calculated.

e) PJM shall transmit to OPSI, within two (2) Business Days of receipt thereof, the revenue collected under this Schedule 9-OPSI. If PJM receives advance instruction from OPSI to defer the transmittal of revenue collected under this Schedule 9-OPSI, it will hold such revenue in its ordinary accounts until instructed by OPSI to release it

TERM 8 (Add state representative to Nominating Committee)

(Conforming changes to be made to the Charter)

7.1 Composition.

There shall be an LLC Board of Managers, referred to herein as the “PJM Board,” composed of nine voting members, with the President as a non-voting member. The nine voting Board Members shall be elected by the Members Committee. A Nominating Committee, consisting of one representative elected annually from each sector of the Members Committee established under Operating Agreement, section 8.1, one representative appointed by the Organization of PJM States, Inc. from the states and three voting Board Members (provided that one such Board Member shall serve only as a non-voting member of the Nominating Committee), shall retain an independent consultant, which shall be directed to prepare a list of persons qualified and willing to serve on the PJM Board. Not later than 30 days prior to each Annual Meeting of the Members, the Nominating Committee shall distribute to the representatives on the Members Committee one nominee from among the list proposed by the independent consultant for each vacancy or expiring term on the PJM Board, along with information on the background and experience of the nominees appropriate to evaluating their fitness for service on the PJM Board; provided, however, that the Nominating Committee in its discretion may nominate, without retaining an independent consultant, a Board member whose term is expiring and who desires to serve an additional term. Elections for the PJM Board shall be held at each Annual Meeting of the Members, for the purpose of selecting the initial PJM Board in accordance with the provisions of Operating Agreement, section 7.3(a), or selecting a person to fill the seat of a Board Member whose term is expiring. Should the Members Committee fail to elect a full PJM Board from the nominees proposed by the Nominating Committee, then the Nominating Committee shall propose a further nominee from the list prepared by the independent consultant (or a replacement consultant) for each remaining vacancy on the PJM Board for consideration by the Members at the next regular meeting of the Members Committee.

NOTE TO MEMBERS: Organization of PJM States, Inc. as placeholder.

TERM 10

OA

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

- i) As its primary responsibility, operate in the public interest [consistent with the Federal Power Act](#) and ensure that the President, the other officers of the LLC, and Office of the Interconnection perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Operating Agreement, section 9.2, Operating Agreement, section 9.3, Operating section 9.4, and Operating Agreement, section 10.4 in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market- [that is designed and operated for the benefit of consumers](#) in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region;

[NOTE TO MEMBERS: Yellow highlighted material adopted at the August MC].